# HISTORY

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NORMAN THOMAS: SOCIALIST CRUSADER . Claude M. Fuess

AMERICA'S FAR EASTERN DIPLOMACY . . . . Tyler Dennett

AS THE SOUTH SEES IT . . . . . . . . . . . . . . . Julian Harris

POWER AS A CAMPAIGN ISSUE . . . . . . . Ernest Gruening

VON SCHLEICHER AT GERMANY'S HELM . . . . Ludwig Lore

THE FEDERAL RESERVE AND POLITICS . . . . . J. M. Daiger

BRITAIN CHARTS A NEW COURSE

I The National Government's First Year. . . . Francis W. Hirst

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MUSSOLINI'S TEN YEARS OF POWER . . . . . William Martin

THE MARCH ON ROME. . . . . . . . . . . Gaetano Salvemini

HOPE FOR THE AMERICAN THEATRE . . . Alexander Bakshy

MEXICO'S NEW PRESIDENT . . . . . . . . . Charles W. Hackett

THE SOVIET AGRARIAN BREAKDOWN. . . . . Edgar S. Furniss



THE NEW YORK TIMES COMPANY

# *Contents for* OCTOBER, *1932*


NORMAN THOMAS: SOCIALIST CRUSADER ........ *Claude Moore Fuess* 1
AS THE SOUTH SEES IT ........ *Julian Harris* 7
AMERICA'S FAR EASTERN DIPLOMACY ........ *Tyler Dennett* 15
VON SCHLEICHER AT GERMANY'S HELM ........ *Ludwig Lore* 20
DID THE FEDERAL RESERVE PLAY POLITICS? ........ *J. M. Daiger* 25
MUSSOLINI'S TEN YEARS OF POWER ........ *William Martin* 33
THE MARCH ON ROME: REVISED VERSION ........ *Gaetano Salvemini* 38
POWER AS A CAMPAIGN ISSUE ........ *Ernest Gruening* 44
BRITAIN CHARTS A NEW COURSE:
I—THE NATIONAL GOVERNMENT'S FIRST YEAR ... *Francis W. Hirst* 51
II—IMPERIAL CONFERENCE RESULTS ........ *J. Bartlet Brebner* 57
HOPE FOR THE AMERICAN THEATRE ........ *Alexander Bakshy* 63
CURRENT HISTORY IN CARTOONS ........ 69


## *A MONTH'S WORLD HISTORY*


THE GERMAN MOVE FOR ARMS EQUALITY ........ *James Thayer Gerould* 73
THE FRANCO-POLISH MILITARY PACT ........ 77
REVIVING AMERICAN CONFIDENCE ........ *E. Francis Brown* 78
MEXICO'S NEW PRESIDENT ........ *Charles W. Hackett* 85
WAR AND REVOLT IN SOUTH AMERICA ........ *Henry Grattan Doyle* 89
DEPRESSION STILL GRIPS BRITAIN ........ *J. Bartlet Brebner* 94
FRANCO-AMERICAN TRADE PARLEYS ........ *Othon G. Guerlac* 99
HITLER'S BID FOR SUPREME POWER ........ *Sidney B. Fay* 101
ITALY IN A BELLICOSE MOOD ........ *William E. Lingelbach* 106
MILITARY THREAT TO GREEK REPUBLIC ........ *Frederic A. Ogg* 110
FINLAND UNDER THE NEW LIQUOR LAW ........ *Ralph Thompson* 113
THE SOVIET AGRARIAN BREAKDOWN ........ *Edgar S. Furniss* 116
THE REFORM OF TURKISH EDUCATION ........ *Albert H. Lybyer* 119
INCREASING DISORDER IN CHINA ........ *Tyler Dennett* 122
UCHIDA'S SPEECH ON JAPAN'S POLICY: FULL TEXT ........ 126
BOOK REVIEWS ........ IV

ir and lower middle classes became appar-
Only after the Civil War did it become
.rent that the upper bourgeoisie were to
the nation and that the petty bourgeoisie
doomed. Against such a class back-
ıd he places American literature.
h things as muckraking in journalism
political progressivism are interpreted as
bourgeois efforts to throw off the domi-
ı of the upper classes. He further sees
ıccessive defeats of the petty bourgeoisie
paring the way for the rise of a proleta-
outlook on life. The crash of 1929 seems
n to mark a turning point in American
he most important result of which he
s will be the rise of a proletarian ideol-
the masses.
literary implications of this analysis are
obvious. Early American literature was
us in emphasis; it then became exces-
moral; later it emerged as the sort of
cultivated by Mark Twain and Howells
otimistic, nationalistic and petty bour-
ealism -and finally it became the disil-
d petty bourgeois naturalism of Dreiser.
on finds that the upper bourgeoisie has
produce writers who would defend it.
ty bourgeois writers of a later day, like
n, Dreiser and Lewis, were ready, of
to attack the upper bourgeoisie, but
fundamentally than their political con-
ies. More recently, however, Ameri-
ty has begun to throw off writers who,
petty bourgeois origin, are yet pre-
adopt a proletarian ideology and fight
w society. The major gain in the
evolution, as Calverton sees it, is
uction of the Colonial complex--the
to England dominant until about
ch he attributes to the effect of the
n the American mind.
is analysis is conducted in Marxian
is difficult to see where it differs
tally from that made familiar by the
l critics of American literature.
s approach, certainly, does not re-
y very fundamental revaluation of
onal literary canon. Naturally he
roduce an exhaustive catalogue, but
scuss Edwards, Franklin, Freneau,
Thoreau, Hawthorne, Alcott, Whit-
Twain, Eggleston, Garland, Miller,
W. Howe, Norris, Howells, London,
derson and Lewis. He places, per-
ique emphasis on Eggleston, Bel-
oudon, and shifts the emphasis in
Howells. But even here it is to prove
points, for he does not contend
these writers have greater impor-
hat granted them by non-Marxian
it makes his book uniquely differ-
that has gone before is his con-
declaration that a belief in the
must be recovered. "Our belief
un as proletarian collectivist. In
s the ultimate liberation of Amer-
e and American life." In brief,
the way out!
Calverton's animating belief, it

ontinued on Page X

# *Contents for* NOVEMBER, 1932

PROSPERITY WAITS UPON THE FARMER............*Bernhard Ostrolenk* 129
PERSHING AND HIS CRITICS......................*B. H. Liddell Hart* 135
THE WEBBS: PROPHETS OF A NEW ORDER................*G. D. H. Cole* 141
BUSINESS LIFE IN SOVIET RUSSIA......................*Sidney Webb* 147
THE CRUX OF NATIONAL PLANNING....................*John Corbin* 155
POLITICAL DISSENT IN 1932......................*Sidney Hertzberg* 161
ORIGIN OF PREMIER MACDONALD'S VISIT TO AMERICA..*Edward Price Bell* 167
WHO IS SIR BASIL ZAHAROFF?....................*Ralph Thompson* 173
A TEST FOR THE MODERN WOMAN....................*Mary R. Beard* 179
GERHART HAUPTMANN AT SEVENTY..................*Harry Salpeter* 184
CURRENT HISTORY IN CARTOONS.................................... 189

## *A MONTH'S WORLD HISTORY*

THE POWERS DEBATE ARMS EQUALITY..........*James Thayer Gerould* 193
THE PRESIDENTIAL CAMPAIGN.....................*E. Francis Brown* 197
MEXICO REOPENS WAR ON CHURCH..............*Charles W. Hackett* 205
THE TURMOIL IN SOUTH AMERICA..............*Henry Grattan Doyle* 209
THE TARIFF IN BRITISH POLITICS..................*J. Bartlet Brebner* 213
FRANCE LIGHTENS HER DEBT BURDEN..............*Othon G. Guerlac* 219
THE GERMAN DICTATORSHIP........................*Sidney B. Fay* 222
SPAIN GRANTS CATALAN AUTONOMY...........*William E. Lingelbach* 226
ROYALIST GAINS IN GREECE........................*Frederic A. Ogg* 229
SWEDEN'S NEW SOCIALIST CABINET................*Sidney Hertzberg* 232
DISCONTENT AMONG SOVIET PEASANTS.............*Edgar S. Furniss* 234
IRAQ JOINS THE LEAGUE..........................*Albert H. Lybyer* 237
VERDICT OF THE LYTTON COMMISSION................*Tyler Dennett* 239
THE LYTTON REPORT: SUMMARY AND TEXT......................... 244
BOOK REVIEWS............................................ IV

# *Contents for* DECEMBER, 1932


ROOSEVELT'S VICTORIOUS CAMPAIGN................*E. Francis Brown* 257
WHERE BRITAIN AND AMERICA DISAGREE.............*J. M. Kenworthy* 266
THE WORKER IN SOVIET RUSSIA.......................*Sidney Webb* 273
FROM WAR TO REVOLUTION.........................*Francesco Nitti* 281
GERMANY IN TRAVAIL:
I—THE GRIP OF FAMINE.....................*William Zukerman* 285
II—WILL THE HOHENZOLLERNS RETURN?..............*Ludwig Lore* 288
THE SUPREME COURT RULES THAT—.............*Zechariah Chafee Jr.* 295
AUSTRIA: A NATION PARALYZED..................*Vera Micheles Dean* 303
THE REBEL MOOD IN LITERATURE.....................*John Cournos* 308
EUROPE'S ANTI-SOVIET BARRIER....................*Robert Machray* 314
THE NEW WOMAN IN JAPAN.......................*Diane O'Connell* 319
THE MENACE TO NATIONAL HEALTH.................*James A. Tobey* 323
CURRENT HISTORY IN CARTOONS................................ 327


## *A MONTH'S WORLD HISTORY*


THE NEW FRENCH ARMS PROPOSAL...........*James Thayer Gerould* 331
HOW REAL IS AMERICAN RECOVERY?................*E. Francis Brown* 335
THE LULL IN MEXICO'S RELIGIOUS WAR...........*Charles W. Hackett* 340
SOUTH AMERICAN ELECTIONS..................*Henry Grattan Doyle* 343
BRITISH LABOR BECOMES UNRULY..................*J. Bartlet Brebner* 348
TASKS OF THE HERRIOT MINISTRY..................*Othon G. Guerlac* 354
GERMANY AGAIN GOES TO THE POLLS.................*Sidney B. Fay* 358
ITALY'S TEN YEARS OF FASCISM...............*William E. Lingelbach* 364
RUMANIA'S CABINET CRISIS.........................*Frederic A. Ogg* 368
ANGLO-SCANDINAVIAN TRADE.....................*Sidney Hertzberg* 371
DISCORD AMONG SOVIET LEADERS..................*Edgar S. Furniss* 372
TURCO-SYRIAN FRONTIER DISPUTE...............*Albert Howe Lybyer* 376
CHINA'S BREAKDOWN BAFFLES POWERS...............*Tyler Dennett* 379
TO AND FROM OUR READERS.................................... 383
BOOK REVIEWS .............................................. IV



## How Did Christmas Come to Be Called

# YULETIDE?

Yuletide, and the great yule log that formerly was an important part of its ceremony, are among our oldest traditions.

The history of the word *yule* is dimmed a little by the mists of time. But we know that its Medieval English form was *yol*, from still older Anglo-Saxon *géol*, and that it is akin to Icelandic *jol*, the midwinter feast (going back to heathen times). This word *jol* may also be the ancestor of *jolly*. So "Yuletide" from the beginning, perhaps, meant "a jolly time," as it still does, although now in its special Christmas significance. There are thousands of such stories about the origins of English words in

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*Why don't you write?*

# CURRENT HISTORY

OCTOBER 1932

# Norman Thomas: Socialist Crusader

*By* CLAUDE MOORE FUESS

[The study of Franklin D. Roosevelt which Mr. Fuess contributed to CURRENT HISTORY for August is now followed by an estimate of Norman Thomas, the Socialist candidate for President. Mr. Fuess, who is known primarily as one of our leading biographers, is a Republican in politics and was a delegate at this year's national convention of his party.]

ALTHOUGH Norman Thomas, as every one knows, is the Socialist candidate for President, his chances of election are probably negligible. Nevertheless, his personality commands attention, and his utterances over the radio have been reaching people who have hitherto regarded his party with scornful, even fearful, aversion. For many years, the word "Socialist" has held for the majority of Americans a sinister connotation, associated with bombs, riots and assassinations. But Mr. Thomas has somewhat changed all that. Even "hard-boiled" reactionaries mention him almost with affection, and he is seldom caricatured as a "bogy man." At some vacation resorts, in fact, it has been quite fashionable to say casually to one's partner at dinner, "Why, I may even vote for Norman Thomas—just as a protest, you understand." Such sympathy was seldom shown by capitalists toward the late Eugene V. Debs.

Indeed, under Mr. Thomas's magic, socialism has grown respectable. He delivers scholarly lectures at college commencements and institutes of politics, and he has preached in the exclusive New York pulpit of Dr. Albert Parker Fitch. Perhaps the very fact that he has apparently so little chance makes his opponents generous. There may be a feeling among them that so long as he contents himself with writing and talking, he is an attractive fellow who can do no harm. Unless all omens fail, however, he will be given a large vote—a vote intended, on the part of many intelligent citizens, to voice their disgust with what they conceive to be the evasions and blunders of politicians.

Mr. Thomas is plainly no black-bearded, red-shirted anarchist breathing fire and imprecations against the government. He does not aim to spread his doctrines by threatening his adversaries with prompt physical dissolution. He does not propose to

fill manufacturers or monarchs with bullets. His spiritual kinship is with St. Francis of Assisi, with Tolstoy, and with Gandhi, the immaculate idealists of the race. He has, of course, his practical side. Theoretical though he is in many respects, he formulates plans for transforming his dreams into working realities. But he does not insist that wrecking a bank is an effective method of overthrowing capitalism. He is a visionary in the sense that, like William Godwin, he apparently believes that people can be led to see the light and, perceiving it, will be inspired to regulate their lives by its illumination. He is sure that ideas, provided they are sound, have a positive influence, in the long run, on human conduct. There has been some controversy in the *New Republic* between Mr. Matthew Josephson and Mr. Paul Blanshard as to whether Mr. Thomas is an "enraptured Socialist" or a "hard-headed realist." The fact is that, as the occasion demands, he can be either. His philosophy and his hope are far-reaching, but, like a sagacious opportunist, he does not ignore the necessities of the present.

In physical appearance Mr. Thomas is becoming increasingly familiar to his countrymen, for he is frequently before them on the platform. He looks like a cultivated aristocrat, with his high-domed head—not unlike that of John Galsworthy—his thin gray hair, his narrow nose and sensitive nostrils, his firm lips and thoughtful blue-gray eyes. He is tall and slender, slightly stooped in the shoulders, neat and conventional in attire, and dignified in his bearing. He belongs to the Woodrow Wilson type, depending more upon logic than upon emotions, and his manner is faintly academic. He would fit naturally into the atmosphere of an English house party with Balfour and Asquith. He is emphatically a gentleman. He has an ineradicable sense of humor with which he enlivens his arguments. About him there is something magnetic. And he has a charming smile.

It should be understood that he is fully the peer of Mr. Hoover and Mr. Roosevelt in cultural antecedents. Mr. Thomas is no "forgotten man." He probably never wielded an axe, like Lincoln, or pitched hay, like Mr. Coolidge, and his hands are white and uncalloused. He is hardly aware through personal experience what it is to perform manual labor under economic compulsion. His career has been made with his brain, not with his body. This is not said in criticism, but in an effort to paint him as he is. Because of forces which began with remote ancestors, Mr. Thomas is an intellectual. Inherited orthodoxy has restrained him from rash projects and hysterical fanaticism. If, through some cataclysm, he should become President, he would behave in the White House like the well-born, well-bred aristocrat that he is. Although his family have had only modest resources, he has never known what it it is to be without food or clothing or shelter, and he has had the best educational advantages which the United States affords. As a graduate of Princeton, he can meet Mr. Hoover from Stanford and Mr. Roosevelt from Harvard on even terms.

Norman Thomas, in his tendencies and traits of character, has been influenced by a long clerical tradition. One grandfather was a missionary; the other preached the gospel until beyond his eightieth year. His father, the Rev. Welling Evan Thomas, married Emma Mattoon, from whom the boy received a middle name which he has since discarded. His stock is a blend of the Celtic and Anglo-Saxon, untinged by Latin or Slavonic. Born on Nov. 20, 1884, he is by an ironic touch a native of Marion, Ohio, the home town of Warren Gamaliel Harding, whose newspaper, the *Daily Star*, Norman delivered from door to door, evidently without being perceptibly stimulated by its editorials in praise of Republican tenets. The household

in which the lad was brought up was permeated by unaffected devotion to a stern, Calvinistic creed, distinguished by hell fire and rigid dogma, which Mr. Thomas has delightfully portrayed in his essay, *Faith of My Fathers*. It was a home in which there was, as he says, "a non-material standard of values and certainly no sanctimonious hypocrisy." Thomas has long since emerged from this early Puritanism. "The return to it," he has written, "would be an impossible and by no means lovely way of escape from life and its problems."

Norman was sent to the customary public schools and later, after his father moved to another church in Lewisburg, Pa., the boy entered Bucknell College. Allured by Jesse Lynch Williams's tales of undergraduate life, he wanted to transfer to Princeton; and a well-to-do relative, discerning promise in the lanky, studious youngster, gave him money enough for three happy years in the institution where Woodrow Wilson was beginning to create so much commotion. There he was graduted in 1905. As his bent was for the ministry, he volunteered for work in the slum district of New York City, where he was surrounded by the bitterness of poverty. He entered Union Theological Seminary, was ordained in 1911 as a Presbyterian clergyman and seemed on the way to adding another worthy but relatively uneventful generation to a family the members of which had hitherto been devoted mainly to the placid salvation of souls. So far his career had been almost monotonously conventional. All over the United States, pious young college men with a similar background were treading the same path. There was no radicalism apparent in his principles. In 1908 he voted for Taft.

In the Autumn of 1910 Thomas married Frances Violet Stewart, by whom he has had five children who have been brought up in a normal way. For some months he was an assistant in New York's famous Brick Presbyterian Church. He remained in the city as pastor of the East Harlem Church, where he served for seven years, during which he was thinking very hard and his basic religious and economic creed underwent many modifications. The World War broke out, and he discovered that he did not believe in war. He said so, and, becoming out of sympathy with his colleagues and parishioners, resigned his pulpit. Conscientious objectors were unpopular in 1917. Thomas's period as a clergyman was over.

Doubtless it required courage for Thomas to break so sharply with the past. He has never been accused of cowardice. When he had once made up his mind, he did not hesitate. He promptly joined the Socialist party and became an active crusader for its principles. A desire to put his new faith into words led him to found a monthly magazine, *The World Tomorrow,* which he edited until 1921. He contributed to the *New York Call* and worked for a year on the staff of the *Nation.* He helped to organize the American Civil Liberties Union and the League for Industrial Democracy, becoming director of the latter. In short, he devoted himself to spreading Socialist propaganda. The missionary instinct could not be eradicated.

More than once he fell into difficulties. He confesses that he has been arrested three times and has been twice in jail. In 1919, when the police at Passaic, N. J., turned off the electricity at a meeting of strikers in the textile mills, Thomas dramatically lighted a candle and, defying the constabulary, read the Constitution of the State to the gathering. Only a few months ago he was arrested for picketing with the Paterson silk mill strikers. Meanwhile, he has tried to educate a broader public through such books as *The Conscientious Objector in America, The Challenge of the War,* and *Is Conscience a Crime?* Such a man was certain to be brought into prominence in a party which badly needed clarion voices. In 1924 he stepped rather sud-

denly into politics by running as the Socialist nominee for Governor of New York State. Since then he has been, as he says, "a chronic office-seeker," always enthusiastic and always unsuccessful. He ran for Mayor of New York in 1925, for State Senator in 1926, for Alderman in 1927. Four years ago he received 267,420 votes for President of the United States. In 1929 he polled more than 175,000 votes for Mayor. Mr. Thomas has repeatedly gone forth to political battle and has never won. But he is sure that his hour is coming.

At the Socialist Convention in Milwaukee last May Mr. Thomas was nominated for President by a vote of 252 to 1, with James H. Maurer, for many years President of the Pennsylvania Federation of Labor, as his running mate. He is now in the thick of an active campaign, carried on by radio broadcasts and printed pamphlets, appealing especially to disaffected Republicans and Democrats. "Hoover's record," he says in one of his favorite sweeping generalizations, "is a record of mistake piled on mistake." Of the Democrats he declares: "The party which dares to take the name of Thomas Jefferson is in the South the party with the most outrageous racial discrimination, and in the North the party of the most flagrant corruption in our cities." Analyzing their respective platforms, he cries, "Plague on both your houses!" and calls for a relentless use of brush and broom.

Mr. Thomas has thus far been more vocal, as well as more consistent, than either Mr. Hoover or Mr. Roosevelt. His attitude toward politics and society, his underlying philosophy, have been expressed again and again until we can be in no doubt as to what his opinions are. So far as our country today is concerned, he surveys the prospect with disillusioned gloomy eyes. He sketches a picture of a strangely complex and floundering civilization, in which men of honest intentions become inadvertently the tools of selfish organizers and few care for any group except their own; a highly individualistic community in which those in power are almost completely ruthless; a society in which thoughtful men cannot avoid pessimism for the immediate future, no matter how much they may long for some "far-off, divine event, toward which the whole creation moves." With superb evangelistic fervor, he assails our impregnable materialism and complains, "Our real temples are our banks and stock markets." We dwell, he says, in an age "when men profess brotherly love and teach a doctrine of nationalism." He is the foe of high tariffs, of subsidies and of all forms of special privilege. All the existing suffering, including the "standing army of the permanently unemployed," he attributes primarily to "our chaotic, unplanned profit system." In some moods, Mr. Thomas talks like Jeremiah or Thomas Hardy.

It is not easy to interpret another man's ideas and do him full justice. It is clear, however, that Mr. Thomas is a philosophical Socialist, who dislikes equally the two extremes of capitalism and communism. While striving by every legal means for civil and religious liberty, he deplores any resort to force, for he is a thoroughgoing pacifist. The aim of socialism, to quote his own phrases, is "to hold up the vision of a classless society to the workers of the world, a society from which poverty and war are forever banished." He would do away with private profit by transferring the principal means of production from individual to governmental hands, permitting private occupancy of homes and tenure of gardens and farms, but abolishing all "absentee ownership" such as that represented by stocks and bonds. He would build up a genuine democracy of "the workers with hand and brain." It is obvious that Thomas is a pragmatist, who has realized the inapplicability of many of the Marxian doctrines to existing conditions in the United

States and has accordingly reconstructed them to meet a situation quite different in many respects from that which Marx confronted in the nineteenth century.

Mr. Thomas does not rely on "mere revolt" or "paper plans." His supporters are convinced that he has a program which can actually be put into operation and that his vision of a "socialized nation" can be realized through the "peaceful displacement of capitalism." Some of his critics within his own party feel that his original radicalism is growing lukewarm. His eulogists, on the other hand, insist that he is merely displaying a sagacious opportunism, preferring to achieve only part of his program rather than to try for everything and gain nothing. Mr. Thomas has not been in politics without learning a lesson from his experience.

Mr. Thomas is not so deluded as to think that the millennium can be reached by a single national upheaval. He is convinced that *laissez-faire* capitalism is so far undermined as to be ready to break down in a real crisis. But he also fears that our immediate dread is from a militant and despotic fascism. "There is," he says, "a ruthlessness and suspicion in America, and skeptical disbelief in political action, which given a few more years of bad economic conditions, will furnish a splendid field for an American Hitler to exploit." Mr. Thomas would deplore the rule of a Mussolini, even if it resulted in a temporary reign of order and prosperity. What he wants, as he phrases it, is "social salvation without catastrophe, and with a minimum of confusion and disorder." He is prepared to move slowly if only he can be sure that he is moving. He indulges in a "great hope," which he is confident will be realized even sooner than most of his disciples expect. His pessimism regarding the world in which we live is tempered by an optimism about the future.

At the present moment Mr. Thomas's control over his party appears to an outsider to be that of a dictator. Most of its active members are manual workers, industrialists who would normally be critical of a leader with a clerical background. Yet, when a resolution was submitted at Milwaukee advocating confiscation of private property, Mr. Thomas took the floor and declaimed so forcibly that it was rejected. But those familiar with the Socialist councils are aware that Mr. Thomas does not and cannot always have his own way. He is undoubtedly the strongest man in his party, its most forceful leader, and its logical candidate for President. But within its ranks are men of all shades of radicalism from blush pink to a sanguine red. While they are in opposition, they are united in a sense by a common hatred. But there are many Socialists who do not accept his views and who will probably refuse to follow him beyond a certain point. Even today a conflict is raging about him among some of his followers, and his critics are not all among the capitalists.

Nobody can listen to Mr. Thomas's dispassionate voice or read his recent volume *As I See It* (New York: The Macmillan Company) without a conviction that he is to be trusted. Even those who disagree with his premises must admit his sincerity. The man is frank. He says what he means and means what he says. At the present moment Republicans and Democrats, absorbed in excoriating one another, are disposed to look with indifference, or at least with amiable condescension, on what Mr. Thomas is doing. Republicans read with elation his denunciation of Tammany, and Democrats from Georgia nod a casual approval to his attacks on President Hoover. So far, each party has been too busy with its own troubles to take Mr. Thomas very seriously. He does not look very dangerous.

But he is perhaps not so harmless as he seems to be. Some of the doc-

trines which he outlines at the dinner table in so quiet a manner are loaded with dynamite for long-established American institutions and policies. It is absurd to dismiss a leader of his ability without any effort to understand the transformations which he is planning for the society of which we are a part. Those who underestimate him may pay the penalty for their neglect. He does not resemble Isaiah, but he possesses some of the attributes of a prophet.

A few weeks ago, I listened on the shores of a New Hampshire lake to an exposition of Tory principles before an audience of thoughtful men and women. The speaker, evidently a "die-hard" reactionary of a fanatical type, condemned such measures as the graduated income tax, unemployment insurance, and old age pensions as perilously radical and laid stress on the necessity of a narrow nationalism and a policy of America for native Americans, especially those of Mayflower descent. His concern was mainly with finances, and he was, possibly unconsciously, making an appeal to class prejudices, trying to ally those who have with those who have not and confusing socialism with communism in a bewildering way. The lecturer, crisp in enunciation and fortified by the old catchwords, was like one of the *ancien régime* in France before 1789, unaware of the maelstrom toward which he and his kind were being swept. So far as could be learned from his talk he was blind and deaf to human need. All he wanted was to reduce taxes.

It is against such doctrinaires who, like Walter de la Mare's "Old Jim Jay," have "got stuck fast in yesterday" that Norman Thomas's threat is directed. His creed is embodied in its essential phases in *The Man With the Hoe* of Edwin Markham. Instead of ignoring his comments on capitalistic society those of us who are not Socialists will do well to heed what he has to say. It may be that he can teach something to his opponents—something which may help them to avert catastrophe.

Paul Hutchinson has said recently that Mr. Thomas is "the best-informed, deepest-thinking, and most morally courageous political leader now playing a major rôle in our national life." This is probably excessive praise. But a political leader who stands on a platform declaring for the elimination of war, of poverty, and of social injustice cannot be regarded without respect, especially when he combines logic with eloquence and clarity with persuasiveness. It will not be astonishing if he polls 2,000,000 votes in November.

# As the South Sees It

By JULIAN HARRIS

[In the following article Mr. Harris, in an unusually frank and racy manner, describes the attitude of the South toward current political and economic problems. A son of Joel Chandler Harris, he is one of the best-known Southern editors, though he has also worked on newspapers in New York and Paris. In 1925 he won the Pulitzer Prize "for the most disinterested and meritorious service" rendered by an American newspaper man, Mr. Harris is now on the staff of *The Atlanta Constitution.*]

ANY American who gives intelligent consideration to the problems which are part and parcel of the present economic stagnation is in a forlorn minority in his own section. Certainly this is true of the South, and it logically may be added that his views are not in harmony with those of his pew-fellows. For, despite its regional distinctiveness in matters social and cultural, the South possesses no clearly defined pattern of thought on questions of politics and economics. This situation may be attributed to the fact that the South's thinking is done against an agrarian background, while its present trend is toward industrialism. This circumstance provides a conflict which nullifies progressive thought.

In the South, however, there is a unity too often based on prejudice. Whether the South has more and stronger prejudices than other sections is a matter for conjecture. A person living in the mid-West or on the Pacific Slope might hold the opinion that his own section is as susceptible to uncontrolled prejudices as the South, but the unanimity is likely to be less since the West and West coast are neither homogeneous nor as bound by identical customs or traditions as the Southern States.

When race prejudice and religious bigotry blaze, the South acts in unison. In the matter of religious bias it is necessary to hark back only four years, when hundreds of thousands of Democrats, the large majority of whom will not vote a Republican ticket again, abandoned their party simply because Alfred E. Smith was a Catholic. Led by the infamous masked Klan and encouraged by overwrought pulpiteers, this hegira to the Hoover ranks was rationalized as a mass fear that the country suddenly would be filled with saloons if the Democratic nominee won. The thinness of this excuse for deserting the party was bared this past Summer when the Democratic Convention adopted a plank so wet that Smith's proposal in 1928 now resembles a feeble acquiescence which might have been dictated by the Anti-Saloon League. Further confirmation of the assertion that religion and not prohibition transformed Democrats temporarily into Republicans will be had on Nov. 8, when not one of the so-called Solid-South States which went for Hoover in 1928 will be carried by Republicans.

It would be futile to discuss in detail the race prejudice which exists in the South, but it requires mention because it is shifting its axis. The feeling of the majority of the whites, where the Negro is concerned, began in ante-bellum days and consisted of mingled prejudices. Among the slaves the field hands were well fed and well cared for, while those whites who were without property were often ragged and hungry. Those slaves whose duties kept them in or near the

"big house" on the plantation absorbed the opinions and manners of their masters and looked down on so-called "po' whites." Reconstruction days, readjustment days and then the battle for existence followed. Since those days the South has taken it for granted that the Negro is the inferior race.

The South lynches, but the lynchings are growing fewer, just as the causes or excuses for these indefensible murders are becoming more diverse. This is, as I have said, because of a shifting in the racial relations. This shifting has taken the cruel path of increasing economic rivalry, a status which, between nations, leads to senseless warfare. Justice is growing more color-blind, but if economic rivalry, sharpened by the failure of our widely advertised big business minds and excessively exploited Republican "poverty abolishers,"' does not make successful war against the present crisis eventually it may turn out that the attempts of the Black Shirts* to put whites in jobs held by blacks and the brutal assassination of Negro firemen in Mississippi were the sinister prelude to a recrudescence of jungle ways. Further evidence that the antagonism toward the Negro is taking an economic turn was provided when the majority of the weeklies and small dailies in the South did not attack Hoover for inviting six Negro politicians, men and women, to his acceptance speech tea party. When President Roosevelt, some twenty-five years ago, invited the most eminent Negro educator, Booker T. Washington, to take luncheon with him, the South roared its disapproval.

But if there is no marked congruity in the Southerner's thoughts on political and economic problems, the South remains the most homogeneous section in the United States; and this homogeneity enables it more than any other part of the country to react as a section, although the unanimity of its reactions is less marked than before the Civil War and up to 1885 or 1890. Until forty years ago the *mores* of the South greatly influenced its attitude on political and economic questions as well as social and cultural affairs. Today, as Louis I. Jaffe, editor of the Norfolk *Virginian Pilot,* recently said, the South's attitude toward politico-economic problems is determined not regionally but occupationally. For example, the Southern farmers—I am quoting Mr. Jaffe—"harbor the same class resentments against Wall Street, protectionism and Federal centralization as are manifested by Western and Northern farmers, with the difference that the Southern farmer, being as a class poorer in education and therefore less armed with intellectual controls, is not so likely to think clearly about these objects of his resentment and more likely to parrot the judgments of the nearest accepted political prophet." And Mr. Jaffe is of the opinion that the farmer is no different from "the Southern masses, which are sheeplike" in their tendency to adopt the views of their political leaders.

That the South's distinctiveness is being dissipated by the spread of industrialism is the opinion also of Mark Ethridge, young associate editor of the Macon (Ga.) *Telegraph.* Mr. Ethridge believes there is as yet —though increasing — little more than a crevice between the industrial mind and the agricultural mind of the South, because the middle classes of the manufacturing cities came largely from agricultural communities; and that this agrarian heritage, however diffused, still conditions their thinking. Both Mr. Jaffe and Mr. Ethridge share the belief that

*An organization secretly founded in Atlanta in 1930 which functioned without a charter, authority to operate as an organization being denied by the courts. Its aims were to intimidate employers of Negro labor into discharging the colored workers and replacing them with whites.

the South's thinking is affected largely by its pietistic resistance to worldliness; and the latter inclines to the belief that a large proportion of the masses regards the present economic crisis, while of Republican origin, as something inevitable—God's will—and therefore to be accepted with a shrug of hopeless shoulders. This attitude is encouraged from the pulpit, where ministers too eloquently intimate that the depression is a blessing in disguise or the Lord's punishment for some vague sin or plain extravagance.

The Southern masses, it seems to me, are not very much different from those of other sections in desires and hopes and their reaction to prejudices, though it is true that their desires and hopes may be limited by their narrow environment and, often, by their lack of education or imagination, and their prejudices seem more intense. This, however, is true: the Southern masses have for so many years lived under the "Solid South" complex that they use it as a sort of shell into which they retreat. The defeat of the South, the brutality of the Reconstruction days, and the heart-breaking struggle to re-establish their section—all have combined to impress the South with a sense of isolation; and its subsequent success, despite the staggering burden put upon it, imbued the people of this region with a justified pride in their achievements. We still turn our eyes too often to the past and, having permitted our pride to become stiff-necked, have accepted our relative poverty and homogeneity as guerdons for keeping the faith.

Here, in space all too limited, is a mosaic of the mental processes and background of the Southern masses, which must be understood in order that the Southerner's reactions to present-day problems may receive a sympathetic reception. There is one situation which he does not control, but which has had a hindering influence on his mental and spiritual development—a lack of leadership in the South today as contrasted with the honest, informed and courageous leadership which lasted for generations but ended shortly after the close of the Reconstruction period.

The Southern masses in the past always leaned heavily upon those wise and honest men whose eloquence charmed, and whose courage inspired their followers. In Georgia, the last of these leaders were Stephens, Toombs, Hill, Colquitt, Grady—yes, even the fiery Thomas E. Watson; although many of the steady Southerners think Watson led too seldom in the right direction. But Watson had courage and inspiration; and he won the faith of the masses.

The Southern masses find little to enlighten them when political discussions relate principally to personalities, but in at least one instance they have formed their own opinion. This reference is to the bonus payment proposed by Senator Patman of Texas. On this subject Southern thinking is not particularly influenced by the newspapers, which, in the main, have opposed the immediate payment proposal of vox populi politicians and their allies, political cowards.

Southerners, not directly interested in any money that would be mulcted from the government, think somewhat along the following lines: When the Confederate soldiers returned to their homes after more than four years of fighting and privation, they were in rags; what property they had was gone and the currency of their devastated country had no value. But the men of the South had valiantly served the Confederacy, and with stanch hearts they set about to re-establish their section. Did the soldiers of the South demand a bonus? Did they ever receive one? No! Instead, the Federal Government put on Southern soldiers a share of the burden of paying pensions to the victorious soldiers,

who returned to homes untouched by war. The South not only paid and is paying its share of Federal pensions, but as the uncomplaining, "non-bonused" Confederate soldiers sickened or became aged, the South added to its Federal pension burden a State pension for its war-worn but undaunted veterans. Therefore, the South is not particularly interested in the bonus-seekers, for it knows there are so many others, victims of Republican prosperity, whose penury is as pitiable and deserving of aid as the neediest among the war veterans.

The South, furthermore, save in that tragic lapse when it was emotionalized into aiding the Eighteenth-Amendment putsch, earnestly and honestly opposes Federal interference with rights of the State or of the individual. That being true, what does the South think of the so-called dole, as proposed in the Costigan-La Follette bill? Of the newspapers in the South, I feel sure that the majority oppose the dole. Doubtless the majority of politicians—ward, city, county and State—do not favor a dole, though many of them favor the bonus, or are silent; for the World War veterans are organized, while the equally hungry, unemployed non-veterans are not organized. It also is true that the South, after a fashion, has become inured to short rations. Its masses have never been submerged by any of the pre-Hoover prosperity waves. As a matter of fact, there are in the South many, many persons, both white and black, who even in good times are dependent on generous neighbors, so that an extra turn of the screw does not materially increase the pangs they already have felt. The tenant farmer must be carried along somehow; and it is to be doubted if, among the Negroes who ask for food, one in a hundred goes away empty-stomached. Certainly there is no recent record of a Negro starving in the South. Obviously, too, the unemployment situation in the South is ameliorated by two important facts—first, its climatic conditions, and, second, the relatively small number of large cities. These two factors have kept the question of the dole largely within the bounds of rhetoric so far as the Southern masses are concerned.

It is an easy step from talk of the dole to the Federal Farm Board and its futile star-chamber efforts to stabilize prices. The South has no faith in the Federal Farm Board, and would like to see it abolished at the earliest convenience of the next President. When cotton was 17 cents, the Farm Board advised the South to hold it. Cotton dropped. The panic-stricken board immediately offered to lend money on it at a valuation of 16 cents a pound. What happened is history, too recent and too sad to repeat in detail.

As an example of Southern opinion, it is well to quote Raymond Brattain, a Mississippi planter, who testified last August at a hearing conducted in Memphis by the Shannon Congressional committee, which was endeavoring to discover if, and how, the government is competing with private business. Mr. Brattain vigorously attacked the entry of the Federal Farm Board into the cotton and wheat markets. He added: "Not 1 per cent of the farmers helped by the government are any better off than they would have been otherwise. * * * I oppose any form of government aid in production and selling." In New Orleans a few days later Walter Parker, of that city, told the Shannon committee, "there has never been, in the history of the world, a parallel to the Farm Board or its extravagant waste of money in a foolish, ill-starred and, from the start, hopeless attempt to reverse the economic wheels of the world."

Briefly, the Southern farmer believes that the Farm Board's activities have been injurious to the point of dis-

aster. The net gain of the farmer is the loss of an illusion concerning the effectiveness of government control. The boll weevil did a better job. Let me hasten to add that the Southern masses, the majority of whom are agrarians in their way of thinking, are not opposed to government regulation; they would have applauded the Farm Board if the price of cotton had gone up 50 per cent. The South wants to see increased regulation of business, and this sentiment is in line with that of all agrarian States. While the Southerner may applaud his favorite politician when the latter assails government supervision, at heart that listener desires no relaxation of Federal supervision—except where it appears to be against his own selfish interests. Which, after all, is human.

The tariff, although a tax, comes under the heading of government regulation in the mind of the masses. Undoubtedly the majority of Southerners believes in a relatively low tariff as a matter of sound public policy. Not many free traders are left, and the high-protectionist minority tends to increase. This, too, is the opinion of Grover Hall, editor of the Montgomery (Ala.) *Advertiser*, who says that the average man in the South is passive on this question because he is not sure on which side the South's bread is buttered. Ethridge, Macon editor, believes that while the South always made great pretenses about the tariff, it has always been inconsistent; that it will shout to the heavens about the iniquity of the Smoot-Hawley rates, but that the views of Senator Barkley are satisfying. In fine, the South wants certain rates for itself—on peanuts and their products; on cotton goods and oils which compete with cottonseed oil; on clay and lumber.

An interesting anomaly in the tariff bugaboo is that citrus fruits make Florida and California nearer neighbors than are Florida and Georgia; Louisiana, with sugar cane, is next-door to Utah, Colorado and other beet-raising States; wool entices Texas into the Western orbit; Alabama and Tennessee adjoin Pennsylvania and Illinois with coal and iron; and Georgia and the Carolinas and the New England States are bound together by the textile industry. Log-rolling finds few obstacles in conditions as those just cited; and dissenters are an innocuous minority.

What of the Reconstruction Finance Corporation? The South believes that the Republicans put over a fast one, and that Senator Glass went out on a called third strike. The Southern masses believe that a "plutocratic Republican oligarchy" hoodwinked Congress and loaded the common people with new taxes in order to line the pockets of Wall Street, the Stock Exchange and stock and bond investors; and gave large funds at low interest rates to over-liquid banks, bloated insurance companies and mismanaged railroads. "And what about that secret loan of $80,000,000 to Hell-an'-Maria? Yes, sir, the Southern taxpayer has been hit again by the Federal Government." The Southern masses believe just that, and their belief is confirmed when a youthful Georgia Governor, running for the United States Senate, tells them that they are being crushed by Federal taxes. An interesting but false picture, since North Carolina is the only Southern State that pays more to the Federal Government than it receives from it. Georgia, I believe, paid $4,413,130.16 to the Federal Government in 1931, and that same year took $8,079,038.21 out of Uncle Sam's till.

The South rails at Wall Street and that fascinating Sodom and Gomorrah of American cities, New York; and then plunges into the stock market and makes the metropolis its entertainment headquarters. The South assails the East and abuses its so-

called predatory methods, and after that does most of its buying in the marts of Manhattan. Shortly after the Civil War, Southerners made Baltimore their trading headquarters, but soon shifted to New York. The Southern masses detest and distrust Tammany, and many think it is a Catholic organization, but they remember from time to time that Tammany was the first to give aid and comfort to the people of the defeated section. Despite the apparent lack of common political interests between the South and the East there is a bond between the two sections which some one versed in folk-ways might discover. Years ago a noted Southern writer asserted that he found the people of Boston very much like those of Atlanta; and the fact that Rawsons, Boyntons, Coolidges, Atkinsons, Swifts, Kyles and Gordons are found alike in New England and Georgia seems to substantiate his statement. No, despite their bond of agrarian sentiment, the South and the West are not nearly so closely identified as the South and the East.

What of the South and prohibition? In simple truth, the South intended prohibition for the Negro only. Then it became a religious dogma. And, as church membership and attendance are cachets of value, socially and in business in the South, when the pulpit decided to add the control of customs and manners to its supervision of things spiritual and things moral, that settled temporarily the fate of intoxicating beverages. The rural sections are satisfied with prohibition, as it affects them but little. Many bootleggers find their best corn liquor on farms. But the South is fed up on political pulpiteers. The frenetic stage of bone-dry emotionalism is as dead as the ashes of yesterday. The trend here is definitely against prohibition, and the South would like to take its liquor and its religion straight once more.

If discontent, rightly directed, is benign, then there is hope that in the next generation the South may witness a renaissance of real leadership. For there is in this section a minority opinion which no longer reverences the icons of tradition or the taboos against independent thought and action. In this minority group are a number of editors of newspapers—large and small—university graduates and college professors. There are few colleges in the United States more liberal or more enlightened than Emory University in Georgia and the University of North Carolina.

This minority group in the South believes hypocrisy and venality are the hall-marks of the present scheme of things. It believes that the methods of big business are based on greed and that the rugged individualism, vaunted by a two-car-garage President, collapsed in the face of a crisis and is now pleading to be held in the protecting arms of a paternalistic government. It is dispirited by the thought of 13,000,000 jobless persons being fed on platitudes.

And what of Congress! It is so spineless than even one of its most prominent members, Representative Tilson, of Massachusetts, assails its cowardice. And members of both the Senate and the House have been revealed as rendering inexcusably large expense accounts and grabbing unearned railroad mileage, while nepotism is their hobby. It is difficult to say which was more sinister, the subservience of Congressmen to the commands of predacious Grundyism or their terror when threatened by the prelates of prohibition.

This Southern minority believes that Coolidge egged on speculation with cheering platitudes of the "Don't-sell-America-short" type, and the misled sheep scampered back to the shearers. Hoover and Mellon accelerated the insane plunging, and then displayed the depth of their ignorance or their callousness by unfounded predictions

that the economic recovery would be immediate.

The Southern minority has been made cynical by the blundering vacillations of the present administration and the eagerness with which the public gives ear to bankers and manufacturers who have been unable to contribute a single idea which did not involve government aid for the rugged-individual boys. When the depression fire blazed, big business attempted to put it out with gasoline. First, the trouble was caused by overproduction, so hundreds of men were discharged; second, the trouble was underconsumption, and the nostrum used was the summary discharge of more workers and additional cuts in the wages or hours, or both, of those kept in their jobs.

The next step was to call on the frightened, salary-slashed workers to "contribute until it hurt" so that the Community Chests might care for the underconsuming victims of overproduction. Under such remedial schemes the purchasing power of the middle class continued to decrease while underconsumption flourished. Then the administration and the banks, which a few months before had insisted it was "stylish to be thrifty," urged the panic-stricken workers to "spend until it hurt," and accused them of hoarding, a crime in which financial institutions participated. There must have been a Jovian roar of laughter somewhere, but its sound was drowned by the sobs of despairing men and women, and the cries of hungry children.

Let me set down briefly a few of the opinions of this minority group in the South:

*The Bonus*—It thinks the "Cash Crusade" was an unfortunate mistake of despairing men, and Hoover's brutal handling of the situation was almost criminal. Why not force all lobbyists to live in tents on the outskirts of Washington?

*Railroads*—Lack of vision on the part of railway management led largely to the present railway collapse. The economic crisis emphasized it. In the early days the railroads fattened on government subsidies and indulged in every form of rebate. Despite the aggressive competition, they have shown no initiative in twenty-five years. They now must surely know how the stagecoach felt when the "iron horse" snorted past.

*Shorter Work-Week*—There is nothing radical in the proposal to have fewer hours and a shorter week. The movement had its first victory in England in 1802 when a factory act provided that children under 9 years of age could not be employed and those over that age should not be forced to work more than twelve hours a day. Employers bitterly fought this reduction in working hours. Twenty years later—in 1822—agitation for shorter hours began in America and the industrialists opposed every effort of the workers to modify the "sunrise-to-sunset" rule. It was a hundred years before the eight-hour day finally was established. The present movement for fewer hours and a shorter week is likely to succeed more rapidly, for it will help get industry out of its abyss.

*Tariff*—It is not only a concealed tax which amounts to a subsidy to manufacturers, but the present schedules have contributed largely to the depression in the United States. Assertion that the tariff is the bulwark of the American scale of living is a half-truth. If labor were not organized it would get not even the small share it may now receive from such monumental tariff-grabbing concerns as Mellon's aluminum trust. The inadequate wages received by unorganized mill workers in the South reveals the truth of the foregoing assertion. Meanwhile, there were 1,236 American branch plants abroad in 1929. From 1928 to 1931 there were 270

American plants built in Canada and Europe. The farmers, crushed by the tariff, could not go abroad even at the reduced rates offered by steamship lines.

*The Dole*—The unemployed and hungry World War veterans are no more entitled to a bonus payment now than are the other suffering unemployed. But if a nation can send men to the front line to lose their lives, should not all civilians be kept alive and well fed until they are called to arms?

*Foreign Debts*—Despite all the political eloquence against cancellation or reduction—oratory for re-election purposes—it is obvious that there will be reduction or cancellation on terms which may benefit the whole world.

*World Court*—The minority group in the South favors the acceptance of the World Court with the reservations agreed on.

*World Peace and Disarmament*—Both are regarded as essential to future world progress.

*Russia*—There is every reason why Russia should be recognized. The Hoover Administration recognized a new government in a South American State within forty-eight hours of the overthrow of the old. The newly recognized government collapsed in less than a week. Soviet Russia's government has proved more stable than that of either Italy or Spain.

*Public Utilities*—Their grip on the public must be broken and holding companies dehydrated. Until those things are accomplished the pillage of the innocent investor will begin again and the consumer will continue to pay unjustly high rates.

*Banks*—More rigid control to prevent high financiers from forcing worthless securities on the banks of the country to peddle to innocent investors. Depositors must be more fully protected and banks prevented from giving aid to speculative orgies which create a specious prosperity.

Briefly, the Southern minority opinion is liberal. It is not frightened by the over-used Red-Communist scare, because it knows that while industrial workers strike, they not only do not make revolutions but have no national coherence, even at the polls. It is the agrarian who is the real revolutionist. His history is one of change and innovation in party and cooperative schemes. Witness the Greenback party, the Granger movement, the Farmers' Alliance, Populism, the Farmer-Labor movement and the Non-Partisan League. It should not be forgotten that America was an agrarian country in the Revolutionary period and that the fighting rebels of the Civil War came from farms.

What saddens the minority group in the South is to see men like Dr. Nicholas Murray Butler, Senator Borah and William Allen White take definite stands and then apparently turn tail and flee. In 1928 William Allen White bitterly opposed the nomination of Hoover, and characterized him as resembling a "nice fat capon." Then he enthusiastically supported the Hoover-Curtis ticket. Borah took a courageous stand on prohibition and the question of debts. But he does nothing to help prevent the election of the man whose policies are anathema to him. Dr. Butler, actually one of the best minds and most courageous spirits in America, is frank and outspoken in opposition to Republican policies. And then his revolt simmers down and he is silent again until after the election.

Perhaps the minority group, like the little girl who went to school for the first time, expects too much to happen at once. When the child returned home from the first day's lessons, her mother asked her what she had learned. "Nothing, I guess, mother; I've got to go back tomorrow."

"Tomorrow, and tomorrow; and—tomorrow!"

# America's Far Eastern Diplomacy

By TYLER DENNETT
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Two of the simplest and most widely accepted rules for the practice of diplomacy are: (1) Avoid the use of such words as "never" and "always"; and (2) Do not be in a hurry. That is why diplomacy is rarely dramatic—or popular. Avoiding the statement of abstract principles, and avoiding also the precise definition of objectives, diplomacy usually makes little appeal to the popular imagination. The famous Stimson note to Japan of Jan. 7, 1932, was dramatic, and popular, because it ignored at least one of these rules and was a declaration, in addition, of general principles.

The American Government, that note said (see CURRENT HISTORY, February, 1932, page 755), "cannot admit" the legality of "any" situation in the Far East which "impairs" the sovereignty, independence, territorial or administrative integrity of China, or the Open Door. Furthermore, the United States "does not intend" to recognize "any" situation brought about by means contrary to the Pact of Paris. The words "never" and "always" are implied.

That these statements on behalf of the American people were generally popular not only in the United States but also in Europe is a matter of common knowledge. They were received as were the Hay Open Door notes of Sept. 6, 1899—another statement of general principles which, as elaborated the following year, in the circular of July 3, 1900, violated the two elementary rules of diplomacy referred to above.

As in the case of the Hay note, so with the Stimson declaration, foreign offices were reluctant to commit themselves to such sweeping affirmations. Nevertheless, on March 11, 1932, after Secretary Stimson had prodded the powers by publicly restating his thesis to Senator Borah (see text in CURRENT HISTORY, April, 1932, pages 58-60), fifty nations at Geneva, constituting the Assembly of the League of Nations, declared "that it is incumbent upon members of the League of Nations not to recognize any situation, treaty or agreement, which may be brought about by means contrary to the covenant of the League of Nations or the Pact of Paris."

This resolution was, perhaps, not quite as binding for the members of the League as the Stimson note for the United States, but in using such words as "it is incumbent upon members of the League" it was more positive than any engagement John Hay was ever able to secure in reply to his notes. The resolution is even more definite in its assent to general principles than any acceptance President Wilson was ever able to secure for the famous "Fourteen Points"—another departure from the accepted principles for the practice of diplomacy which was dramatic and popular, but which now appears to have been hasty and not half so inclusive as the words at the moment seemed to indicate.

The Stimson address of Aug. 8, 1932 (for full text see CURRENT HISTORY, September, 1932, pages 760-764), delivered almost two months before the presentation of the Lytton report and recommendations to the

League, reaffirmed the declaration of Jan. 7, and went one step further in disregard of an accepted axiom of diplomacy. The American Secretary of State entered upon what has hitherto been a somewhat academic discussion of the status of neutrality in international law, under the Pact of Paris. He subscribed substantially to an opinion, much debated in the universities in the last three years, that neutrality in a war between signatories of the Pact of Paris disappears. He declared:

"War between nations was renounced by the signatories of the Briand-Kellogg Treaty. This means that it has become illegal throughout practically the entire world. It is no longer to be the source and subject of rights [that is, the legal rights and duties of neutrals toward belligerents, and of belligerents toward neutrals]. It is no longer to be the principle around which the duties, the conduct, and the rights of nations revolve. It is an illegal thing."

In a conflict between two States where one or both have signed and then violated the Pact of Paris, said Mr. Stimson in substance, all other signatories have the right, the legal right (perhaps, in equal degree the duty), to intervene. In the case of Japan in Manchuria the intervention has been thus far purely moral, and verbal. "We denounce them as lawbreakers," declared the Secretary without expressly naming Japan. But if Mr. Stimson's legal interpretation is sound thus far, it is equally good for military intervention in the Far East, provided only that a signatory of the Kellogg Pact feels assured that there has been a resort to other than pacific means for the settlement of an international dispute.

It does not necessarily follow that because the American Government has in this instance discarded the diplomat's rules o' thumb it has abandoned statesmanship, but it does indicate that American policy in the Far East is now cut loose from many conservative precedents and is sailing a sea which is largely uncharted. The American people are being presented with an inescapable issue which may, in time, require a more momentous decision than any made since the United States entered the World War.

To Secretary Stimson's address of Aug. 8 Count Yasuya Uchida, the Japanese Foreign Minister, on Aug. 25 made a carefully considered reply in the Imperial Diet. (For full text see pages 126-128 of this magazine.) Count Uchida's address had, in fact, a triple objective. It was an explanation to the Japanese as to why their government had not already recognized Manchukuo. It gave notice to the League of Nations that Japan would not tolerate interference in Manchuria, whatever might be the nature of the Lytton report. It was also clearly a response to Secretary Stimson's address. Count Uchida promised the Japanese Diet "the early extension of formal recognition" to Manchukuo, and defended the proposed measure as "the only means of stabilizing conditions in Manchuria and of establishing conditions of permanent peace in the Far East." Anticipating the Lytton report, Count Uchida observed that "in certain quarters a plan is being considered to reach a solution by patching up matters for a moment by investing China in one form or another with authority over Manchuria. * * * The people of Japan can never consent to a solution of that kind." The intervention in Manchuria, he declared, was "imperative," and there was "no alternative other than to resort to measures of self-defense." By inference Count Uchida swept aside all other proposed measures for the solution of the Manchurian question as "sentimental propositions and abstract theories."

On Sept. 2 the Japanese Foreign Office officially fixed Sept. 15 as the day on which the new State of Manchukuo was to receive recognition

from Japan. The treaty of alliance, which is to be signed by the two governments and to constitute recognition, will not be filed with the League, to whose approval Japan appears indifferent.

Count Uchida did not stop with a declaration of Manchurian policy. In China "the anti-foreign, especially anti-Japanese, movement continues unabated." He predicted, without qualification, "further complications are likely to arise in the foreign relations of China" and closed his address by an indirect revival of the old Okuma theme of an Asiatic Monroe Doctrine under which "Japan, Manchukuo and China, as the three independent powers closely linked together by the bond of cultural and racial affinities, will come to cooperate hand in hand for the maintenance and advancement of peace and prosperity of the Far East as well as for the peace of the world and civilization of mankind." This hint of a future policy is mentioned because it serves to bring out the fact that the fundamental issue between Japan and the West is that of conflicting cultures and civilizations.

"Japan cannot close her eyes to any disturbances breaking out in any part of Eastern Asia, for dispeace cannot be permitted to exist side by side with the fundamental spirit of the Japanese Empire," declares General Sadao Araki, the Japanese Minister of War and architect of the recent Japanese policy in Manchuria, in *Kaikosha* (the Japanese Army Club magazine). "It is therefore expected of every Japanese that he be ready both spiritually and materially to take his part in the duty of restoring peace even through resort to arms." Evidently General Araki has little or no use for the covenant of the League or for the Pact of Paris as they may affect Eastern Asia; and as for the Nine-Power Treaty and the Washington Conference, in which naval superiority in the Pacific was yielded to Japan, the Minister of War is speaking for a very substantial group of Japanese, who would be glad to dismiss the obligations assumed if not the benefits received in 1922.

"Our policy is already fixed," declared Kaku Mori, formerly chief secretary of the late Seikyukai Cabinet, in an incendiary statement which the censor had to mutilate. "It must be remembered that Japan will sooner or later come into collision with those who oppose her policy. The government will not be found unprepared"—here the censor cut the stenographic record.

It will be recalled that Count Ishii, famous for the Lansing-Ishii agreement of 1917, in which the American Government stopped just short of acquiescing in an Asiatic Monroe Doctrine, in his address of welcome to American Ambassador Joseph C. Grew, on June 21, 1932, issued the warning that if the United States "ever attempted to prevent Japan's natural expansion, then a grave situation indeed would be created."

It must be perfectly evident that Japan is not bluffing. She feels that the powers, led by the American Government, are gradually closing in on her and that in the near future she may find herself with her back to the wall. In such a contingency she is prepared to fight. The departure of the Lytton commission from Tokyo in July was followed by Japanese military excursions into Jehol, with the intimation that a major expedition might come after the harvest. Japan presumably intends to make Jehol definitely a part of the new Manchukuo. There have been provocative military demonstrations recently in Shanghai, Peiping, Tientsin and elsewhere. In imperious tones Japan has renewed her protest to China over the revival of the boycott. General Araki, acknowledged to be the most powerful man in Japan today, has already cast his eyes beyond Manchuria into Mongolia. "There is every possibility," he declared in the article referred to

above, "that Mongolia may prove a greater barrier to the way of Japan's mission of peace and order than Manchuria has ever been."

Nor is Mr. Stimson bluffing. Encouraged by the fact that the Democratic as well as the Republican platform contains approving paragraphs for the Pact of Paris and favors consultation among the signatories when the Pact is threatened, the Secretary of State evidently feels that he has behind him a fairly united public opinion which demands that wars shall cease and that the nations disarm. For the time being, at least, the question of the Open Door drops into the background. The American Government is making an appeal to the aroused moral sentiment of the world. Karl Radek would doubtless say that economic considerations have been not dropped but merely draped with some more pious phrases. That the question of trade and foreign markets is bound to reappear there can be no doubt. Reports from Manchukuo already indicate that the door for foreign trade other than Japanese is hardly more open than it is in Korea. The door will stand open facing a long corridor, namely, Japan, through which trade must pass before it enters very widely into Manchukuo. The Japanese Government is disclaiming responsibility for the action of the Japanese advisers in the puppet State. It will be difficult for Mr. Stimson or his successors in office to go behind such disclaimers so long as the United States chooses to ignore the Changchun Government.

But for the moment the economic question is out of the picture. President Hoover and Secretary Stimson have claimed the leadership of the pacifists of the world and evidently are bidding for a sufficient support to carry through a purely pacifist policy of non-recognition until Japan, bleeding to death in Eastern Asia or starving to death in Tokyo, yields to the coercion of moral forces. It is very much like the Wilson policy toward Germany save that, as yet, there is no hint of the use of any material force to bring pressure to bear upon the Japanese Junkers.

Many have been puzzled to understand why the Japanese military have felt themselves so secure in this persistent defiance of the combined force of the League and American opinion. Some have sought to find the answer in the assumption that from Great Britain, France and Italy the Japanese leaders have had some assurances that in the show-down the American Government cannot expect from the great powers the unwavering support without which the Stimson policy must certainly fail.

In Great Britain liberal opinion appears to accept the American leadership, but it is equally clear that conservative opinion does not accept it. Whatever Mr. MacDonald may have said to Mr. Hoover at Rapidan, it remains to be seen whether the former could carry his present Cabinet with him in support of any policy which would permanently alienate Great Britain's old ally in the Far East.

Italy, in the long run, may have more to gain from the precedent of the American than of the Japanese policy, but Premier Mussolini is surely an unstable reed for Mr. Stimson to depend upon to support a precedent that national self-defense is to be interpreted as narrowly as the American Government now contends it should be.

As for France, she depends upon Japan to hold the Eastern front against the Soviet Union, and certainly her immediate national interests will not be served by the creation of a strong Chinese republic. If the latter is to come it is likely to find its patterns of policy and organization less in France than in Russia, which France so much fears. France would find it difficult to support a policy which would result in the weakening of

the League by the withdrawal of Japan.

No doubt the Japanese leaders are well aware that in London, Rome and Paris they have not yet lost the approval of very substantial friends. At the same time nothing has yet appeared to indicate that the powers in the League are actually engaged in double-dealing with the United States on the one hand and with Japan on the other.

The inherent strength of the Japanese policy lies not in secret agreements with European powers, but rather in the essentially negative character of the American policy. The United States desires peace, but peace is a condition, not a remedy. Peace—this may seem shocking to many pacifists—is, or may be, without moral quality of any sort. It may be merely a condition enveloping an international situation which, in turn, may be either right or wrong or a little of both.

The Japanese have put forward a remedy for a disorder which was perhaps worse than any which the American Government has ever faced in all its political history, though probably the situation in Manchuria was not as bad as the Japanese have tried to make it appear. Not the slightest evidence has yet been produced that Japan in Manchuria in September, 1931, was like a householder who suddenly wakes in the middle of the night to find a pistol aimed at his head. If the Lytton commission fails to make this point clear it will forfeit some of the confidence which, as this is written, is reposed in it. There should be no whitewashing of the Japanese military.

On the other hand, what is the remedy for the brutal, stupid, thieving Chinese war-lord who lacks even the tradition and the ideal of love of country? The restoration of the *status quo ante* is no remedy, and Mr. Stimson has proposed no other measure. An international conference such as the one held in Washington in 1921-22, which evaded this very issue, is certainly not promising. It all simmers down to the question of whether the members of the League or the interested powers are prepared to go into Manchuria, drive Japan out and do the job which Japan has undertaken.

Thus is disclosed the fundamental weakness of all peace machinery for the Far East. Modern world organization is being developed from the analogy of the internal political organization of present-day States—law, courts, administrators. The analogy is weak all along the line, but when it comes to administrators it disappears completely. Modern civilization has not developed, does not even now contemplate, an administrative agency which can carry out in Manchuria or in China the remedies which Japan may demand with as much propriety as Great Britain did in Egypt, France in Algiers or the United States in Cuba, Mexico, the Caribbean or Central America. And, as has been abundantly demonstrated, the Chinese Government cannot effect the necessary reforms.

The Chinese junk of state is almost as much in default to international society as is the Japanese War Office. It is rotten to the core. When the Washington conference was in session ten years ago the Chinese Government was merely a straw man created for the occasion in Washington and set up at the table to fill an otherwise vacant chair. The Chinese Government today is no better; it is a fortuitous concourse of unrelated atoms which changes from week to week.

As this is being written the Lytton report is not yet published, but immediately after the return of the commission from Manchuria on June 5, Lord Lytton is reported to have given a public hint as to the form of the report. He is alleged to have said: "As a result of our report and recommendations the League will probably say to the parties concerned,

*Continued on Page* 125

# Von Schleicher at Germany's Helm

*By* Ludwig Lore

Not since the exciting days when Kaiser Wilhelm fled before impending catastrophe has Germany presented to the world a situation so fraught with possibilities as that which today taxes the powers of the shrewdest political interpreters. Will the von Papen Government attempt the impossible by trying to rule with a Reichstag in which it controls less than 10 per cent of the votes? Has it the courage to face the incalculable consequences that lie in wait, if it should decide to govern with emergency decrees, leaving the Reichstag once more to mark time on the side-lines? Will it dissolve Parliament and risk a new election, knowing that popular support for its policies will be as much out of the question then as it is now? Or will it take the last step to a complete dictatorship of the military caste, relying on the great popular appeal of the Hindenburg tradition to smother what may remain of public resentment? The answer depends on the will of the man who is the brain of the present government, Germany's "Man of Mystery"—Lieut. Gen. Kurt von Schleicher.

This man is not a new figure in German politics. Since 1920 he has been the connecting link between the army and the government. Ministers have come and gone; army chiefs have ruled briefly and disappeared; but von Schleicher has always remained the irreplaceable expert in Germany's inner politics. Never was there an absolutist police minister more thoroughly informed concerning all things. He is acquainted with every figure of consequence in the nation's politics and knows how to handle them all, from the old-time Conservative and the military monarchist to the Social Democratic Reichstag Deputy who may become a power tomorrow. No man in Germany has friendlier personal relations. This enigma of European politics, this "Iron Man of Germany," is the petted darling of the social world, with scores of enthusiastic admirers and few intimate friends. His marriage two years ago was an event of first magnitude. He has that first essential of the successful politician, an instinctive grasp of human psychology, that irresistible something that makes for quick contacts. He is known for his amiable sense of humor and for his lack of personal vanity. He has political opponents, but few personal enemies, for he has never sought the limelight, but has left to others the satisfaction that lies in popular acclaim and public recognition.

Kurt von Schleicher was born in Brandenburg on April 7, 1882. He received the strictly military education of a young nobleman in a cadet institute and in 1900 entered the army, where he was assigned to the infantry regiment of Field Marshal von Hindenburg and became intimately acquainted with the latter's son. His advance was rapid. In 1913 he was made junior officer of the General Quartermaster's staff. In this capacity, with the exception of a few months in 1917 on the front in Galicia, he served during the entire war. Here Groener, after succeeding Ludendorff, found him and appointed him to his personal staff. In fact, until Groener's retirement a few months ago, most of von Schleicher's

military career was spent in the older officer's immediate environment.

General von Schleicher's activity is bound up with the history of post-war Germany to a degree that makes it impossible to describe one without the other. Looking back over the developments of the last thirteen years in the revealing light of the present, we can see, like a red line through a confusion of cross-purposes, the clear-sighted, tenacious efforts of this Reichswehr head, slowly replacing the existing, uncertain democratic government with a strong, conservative, central authority.

When the German Republic was born, a direct secret wire led from the Imperial Chancellery in the Wilhelmstrasse to the Supreme Army Command at Spa. Over this wire Prince Max telephoned his demand for the Kaiser's abdication. Over the same wire, a few weeks later, Friedrich Ebert, as People's Commissar of the revolutionary government, discussed military measures against the Spartacists with General Groener. Thus was the tradition of the monarchy continued in the republic. It lay in Ebert's hand to break with it. Here Germany's tragedy begins. This secret wire is of symbolic significance. It bound Ebert and his colleagues to the representatives of the powers that had been and severed the ties between the workers' republic and the revolutionary masses. In his book *Vom Kaiserheer zum Reichsheer* General Maerker, commander of the first volunteer Freikorps regiment in the young republic, tells of Ebert's gratification over the return of organized soldiery to Berlin. "He struck Scheidemann encouragingly on the shoulder as he watched our troops march by. 'All will yet be well,' he said reassuringly."

It was during this eventful period that Kurt von Schleicher came to the fore. He had been sent from General Headquarters on Dec. 9, 1918, exactly a month after the outbreak of the revolution, to confer with General von Lequis, Freikorps commander in Berlin, with instructions that in all doubtful cases the orders of the General Staff were to take precedence over those of the People's Commissars. To Ebert he went with the message that von Hindenburg and Groener were determined, unless the Commissars definitely disassociated themselves from the domination of the Soldiers and Workers' Councils and threw off the tyranny of Liebknecht and his friends, to draw the inevitable conclusion and to take up the fight on their own behalf. General Headquarters demanded that no quarter be given to Spartacist rebels and that the immediate execution of civilians bearing arms be ordered and carried out without mercy.

On Dec. 20 von Schleicher again came to Berlin, this time in the company of General Groener, to place the Freikorps at the disposal of the government in its attempt to dissolve the Centralrat — the central executive body of the Berlin Workers' Councils. The history of the Freikorps and their rôle in the revolution has yet to be written. Organized by professional military men of the old monarchist army, and made up of soldiers returning from the front—youngsters of the type Remarque so poignantly describes in his book, *The Road Back*—who knew no life but that of soldiering, these volunteer groups were a source of constant irritation and dissatisfaction to the General Staff. They served when and where and how they pleased. The Kapp putsch of 1920, for instance, was the direct outcome of an attempt by the government to dissolve the Ehrhardt brigade for its flagrant counter-revolutionary activity. Only a general strike of the workers saved the young republic from annihilation.

Discouraged by their lack of power, von Hindenburg and Groener were ready at the end of 1919 to let things

take their course, in the hope that internecine strife would put a speedy end to the republic. But here they met with determined opposition from von Schleicher, who was supported by von Lequis and by von Seeckt, who had just returned from Turkey. Von Schleicher insisted that the solution lay not in disbandment, but in the coordination of the existing miltary units and their organization under a single authoritative head. It was not dfficult to convince the government, worn out by strikes and uprisings, of the wisdom of such a course. On June 3, 1919, during the Weimar Constitutional Convention, a decree was issued ordering the establishment of what was to become the Reichswehr and inviting the officers of the old army and of the Freikorps to join.

Von Schleicher was appointed secretary of the Reichswehr Ministry under Reinhardt, the first Defense Minister of the German Republic. Under his direction the new Reichswehr became a replica of the monarchist army, control resting in the hands of its military leaders. The influence of the civilian authorities was negligible. When Ebert—after the Hitler - Kahr episode — asked von Seeckt, "And the Reichswehr, General? Does it stand with the government or with Bavaria?" he was answered, "The Reichswehr stands with me, Mr. President." Never was the truth more baldly spoken.

It was only natural that the influence of the military machine should grow to even greater proportions under the von Hindenburg régime. Lieut. Gen. von Schleicher became the central figure of an extremely active and increasingly powerful military camarilla. His influence extended in every direction. The ex-Crown Prince is a regular visitor at his residence and von Schleicher is in constant, intimate contact with the entire Hohenzollern family. He feels equally at home in the company of the wealthy post-war bourgeoisie and, moreover, as recently published correspondence between himself and the Social Democratic Deputy Schoepflin shows, is hail-fellow-well-met among representatives of the Left.

In the Spring of 1929, at von Schleicher's suggestion, a new office —that of Chief of the Reichswehr Ministry—was created, and to this post he was appointed. In this capacity he superintended the political, the judicial and the defense divisions of the Ministry and was chief of personnel. It was the purpose of this new office to relieve the army and navy heads from unnecessary participation in parliamentary sessions, but the constant contact with the Reichstag and its leaders, the intimate acquaintance of its political ramifications and the daily verbal reports to the President of the Reich that this post entailed gave von Schleicher extraordinary influence.

Dr. Walther Schotte, one of the founders of the feudal Herrenklub, to which the leading figures of the present Cabinet belong, shows in his recently published *The Papen-Schleicher-Gayl Cabinet* to what extent this influence determined the course of German events. He tells of the clever manoeuvres by which von Schleicher elbowed the Social Democratic Chancellor Mueller out of office, how, at the perplexed question of President von Hindenburg—as he faced this unexpected situation—"Who could be considered for the Chancellorship?" it developed that General von Schleicher, without the knowledge of either von Hindenburg or Mueller, had already held numerous conferences with Dr. Bruening with a view to proposing him for that office.

The appointment of the Bruening Cabinet, purged as it was of Socialist elements, still further solidified von Schleicher's position in the Reich Government. His demands for recognition of the military camarilla he rep-

resented became more and more importunate. For it he urged the inclusion of members of the "National Opposition"—the Nazis and Hugenberg Nationalists—in the government, a step that Bruening hesitated to take, fearing its influence on the outcome of the approaching Lausanne conference. The dissolution of the Hitlerite Sturmabteilungen by Groener, whom Bruening, to von Schleicher's great resentment, had won over to his point of view, precipitated a new governmental crisis. Groener resigned and von Schleicher surveyed the field for Bruening's successor. He found the man in von Papen, and Bruening's resignation became a mere formality.

"The extraordinary historical responsibility of General von Schleicher," says Dr. Schotte, "cannot be overemphasized! Unless it is taken into consideration, one cannot hope to understand the background of this period. * * * He is one of the few outstanding personalities of our time who have had the courage of their responsibilities." Von Schleicher's sense of "responsibility" at times borders on arrogance. Dr. Bruening was scheduled to deliver a public speech in Frankfort-on-Main during the last Presidential campaign in April. The Reichswehr chief demanded that he be given a copy of the speech before it was delivered, so that he might change it as he thought fit. That he could make such a demand and, above all, that the highest official in the German Government actually submitted a résumé of his contemplated address for censorship, throws new light on the German Republic and reveals characteristic indications of a growing militaristic dictatorship.

Von Schleicher's negotiations with the Nazi leaders during this period are a matter of public record. Hitler, Roehm, Strasser, Goehring and Frick were invited to frequent conferences at von Schleicher's home, where they were also brought together with the ex-Crown Prince and other members of the Hohenzollern family and their Junker following. With the coming of the von Papen Government, these negotiations assumed a more business-like aspect. The ban on the Sturmabteilungen was lifted, the Nazi demand for the immediate dissolution of the Reichstag and a new election was granted, and the Socialist-Centrist-Coalition Government in Prussia was forcibly ejected by the Reich and replaced with a nationalist dictatorship. With the exception of Gustav Noske, the Social Democratic Oberpresident of Hanover, every Socialist and Democratic government official of higher rank was dismissed or pensioned off and the vacated offices filled by Nationalist Conservatives. In return, the Nazis adopted a policy of toleration toward the von Papen Cabinet.

But the Reichstag election, instead of promoting an understanding between the government and the Hitlerites, produced an entirely new situation. The failure of the latter to gain an absolute majority strengthened the hand of the Junker militarists, whose economic interests are in many respects opposed to those of the middle-class Nazis. In their first stages these negotiations between the two groups were conducted by von Schleicher, submitted for formal approval to von Papen and finally sanctioned by von Hindenburg. It is doubtful whether General von Schleicher himself has decided on the road his government is to travel. That it will turn sharply against the Left, masking its determination to inaugurate a military dictatorship under the cloak of paternalistic democracy, is already evident. All indications point to an understanding between National Socialists and Centrists—the German Fascists because the mass of their followers demand immediate results and the Catholic Centrists out of fear of Protestant Junker domination—both in Prussia and in the Reich. In the Reichstag

as well as in the Prussian Diet such a coalition would make possible a constitutional majority government.

Von Papen and von Schleicher are frankly disdainful of parliamentary rule. They regard democracy as a failure and attribute to its vacillations the economic downfall that has overtaken Germany. On the other hand, they are acutely conscious of the fact that an open break with the Reichstag may be dangerous. Nor have their protestations for a super-party government deceived the public, which realizes that they represent a reincarnation of the old monarchist Conservative party.

In its international relations the present government has even more strongly emphasized its militaristic aims. In his radio speeches, interviews and official notes von Schleicher has left no doubt as to his determination to rebuild Germany's old military machine. In a communiqué addressed to the French, British and Italian Governments he has demanded arms equality for Germany. He already speaks of conscription, of a modernization of all branches of the service and of the fortification of Germany's French, Belgian and Polish borders. There should be no difficulty in arriving at an agreement with the Nazis on this program were it not for the division of power.

The question thus resolves itself into a struggle between two would-be dictators, Adolf Hitler and Kurt von Schleicher, the former supported by a party machine 1,000,000 strong and an army of Brown Shirts of 500,000 men which has more than once demonstrated its ruthless will to win, the latter backed by the forces of government, police and soldiery, by the prestige of its President and by centuries of tradition. In this battle for supremacy Hitler will find von Schleicher no mean opponent. His is the face of a hard-hitting realist, a man who knows neither sentiment nor scruples, a man who, trained in the school of German militarism, knows no higher ideal than obedience to the State and duty to its sovereign. He is above all a soldier, with a soldier's love for order and discipline and a soldier's desire for centralization and unity of purpose.

To men like von Schleicher the German Republic has been an unmitigated catastrophe. He has seen it humiliated before the nations of the world, has seen government after government go down under the burden of intolerable reparations payments. An aristocrat to the core, he resented the "pampering" of the masses with social services and unemployment insurance by a bankrupt nation. To his conservative narrowness the new liberalism that expressed itself in modern art and customs, its freedom from old religious and emotional ties, were all evidence of a national degeneracy that must and should be checked if the nation is to survive. Mentally he still lives in the age of Bismarck, in the spirit of its barracks. In his eyes it is the divine right of the ruler to suppress adverse opinion that, according to his lights, may threaten the integrity of the State, and to command complete and unquestioning service from each and every member of the national community.

The conservatives of old Germany owed much of their power to the fact that they were astute realists who knew the importance of a concession at the right moment. Von Schleicher is doubtlessly one of the most intelligent and far-sighted of this class, a man whose past is proof of his ability to judge a situation at its true value and to rate his own power without emotion. It is not at all impossible, therefore, that, behind the present imperious attitude of his government toward the Nazis, negotiations are being carried on which may eventually result in a von Schleicher-Hitler coalition.

# Did the Federal Reserve Play Politics?

*By* J. M. DAIGER

[The following article is based in part on hitherto unpublished facts regarding important decisions and events on which only few persons were informed at the time of their occurrence. The author, who spent twelve years as public relations counsel to banks and investment houses, has written on banking and financial subjects for several American periodicals.]

THE failure of the Federal Reserve System to avert the 1929 stock-market panic, according to a theory that has lately been accepted both in the United States and abroad, had its roots in the 1928 Presidential campaign. The Federal Reserve authorities, we are told, were induced to prolong the Coolidge bull market until Mr. Hoover was securely in the White House. To accomplish this they fostered an inflation of credit in 1927-28. When they sought to "correct the situation" by their public warning and so-called direct-action policy in 1929, they found speculative credit beyond effectual control by the central banking mechanism. They had waited too long. The political blight was fatal.

Curiously enough, this theory was not put forward until after a lapse of four years, when another Presidential campaign was at hand. It did not, however, emanate from partisan sources, but as the interpretation of events of the period by disinterested publicists, notably Walter Lippmann in this country and Lieut. Commander J. M. Kenworthy in England. Their political charges seriously impugn the integrity of men in high public office and in the privately owned Federal Reserve Banks.

Writing in CURRENT HISTORY for May, 1932, Commander Kenworthy asserted that the American stock-market boom "was recognized as dangerous by the governors of the Federal Reserve Banks and other financial leaders." They desired, he continued, "to check this boom in 1927," but did not do so because "there was a Presidential election coming in 1928, and tremendous pressure was brought to bear on the Federal Reserve Banks to do nothing, in the interests of the Republican party, to check the prosperity wave." He made substantially the same statements in an article in the June issue of the *Nineteenth Century* (London).

Mr. Lippmann gave a more circumstantial account in the *Redbook Magazine* for June, 1931. "At the end of 1927," he said, "nearly two years before the panic, it had become clear to the leading bankers that the country was building a house of cards upon a foundation of quicksand." It was then "still possible for strong leadership of the American banking system to arrest the speculation," but the leadership "had to come from the Federal Reserve Board in Washington." "The board," he added, "never put the brakes on hard. The reason is plain. It is a political board. In 1928 the country was to have a Presidential election, and any important move to stop speculation was bound to slow down business. The board did not have the courage to do that. The party in power was making great capital out of the apparent prosperity, and the board, which cannot help listening to the administration, did not dare to

wake the country out of its dream of endless fantastic profits. So the board refused to let the Federal Reserve Banks take the steps they desired to take to arrest the speculation. It evaded the proposals of the bankers and refused to act on the recommendation of its own Advisory Council."

Support for these political charges has come from within the Reserve System itself. Addressing the Minneapolis chapter of the American Institute of Banking a few months ago, Dr. Walter Lichtenstein, executive secretary of the First National Bank of Chicago and, for the last seven years, secretary of the Federal Advisory Council, said: "The fact is that the Federal Reserve Board did create an easy money market in 1927. * * * Whether or not their action in 1927 was correct, the Federal Reserve authorities certainly did not reverse the movement quickly enough. * * * They allowed money conditions to grow ever easier here [United States], possibly with an eye to the fact that a Presidential election was impending in 1928."

It is evident, in retrospect, that the huge credit-easing operations of the Reserve System in the Summer and Autumn of 1927 gave the decisive impetus to speculative boom. It must therefore be conceded that, if Mr. Hoover could not have been elected in 1928 except by this vigorous fillip to speculation—a doubtful hypothesis—Federal Reserve policy was the decisive factor in the fortunes of the Republican party and its candidate. But the policy was not determined or influenced by political considerations, as is proved by decisions and events about which the public has been only partially informed or not informed at all.

Before these events are related, two flagrant errors of the critics should be disposed of. First, it is a matter of common knowledge that in 1927 "the leading bankers" were not issuing warnings or otherwise manifesting great alarm in the manner referred to by Commander Kenworthy and Mr. Lippmann. On the contrary, virtually the whole banking community in 1927 and 1928 and well into 1929 was voicing a sanguine optimism. This received unmistakable confirmation in the security loans and investments of their institutions.

The only specific warning mentioned by any of the critics is what Mr. Lippmann calls the "historic statement" of the late Paul M. Warburg; but this was made on March 7, 1929—four months after Mr. Hoover's election, three days after his inauguration, and one month after the belated warning broadcast by the Federal Reserve Board. Of the Reserve System's operations throughout 1927, Mr. Warburg said in 1928 that they did "equal credit to the strength of that system and to the sagacity and courage of its administration." The state of business and finance in January, 1928, caused him to "enter the new year with cheer and confidence."

As with bankers' warnings that were non-existent in 1927, so with the refusal of the Federal Reserve Board to sanction a credit-restriction measure to which Mr. Lippmann refers. This was the much-discussed discount-rate policy proposed by the Federal Reserve Bank of New York after the Federal Reserve Board had issued its warning and initiated the policy of "direct pressure" on member banks to reduce their speculative security loans. The "plain reason" for the board's refusal to sanction the New York proposal, the principle of which was first opposed and then supported by the Federal Advisory Council, was not that there was to be an election in 1928. The proposal was first made on Feb. 14, 1929, and was repeated intermittently until May 23—a period ranging from three to six months after Mr. Hoover's election. Furthermore, the board's decision in this instance was not given under administration leadership, but under that of

Dr. Adolph C. Miller, one of the original and continuous members of the board, who was the author of its public warning and the proponent of the direct-action policy. Secretary Mellon, ex-officio chairman of the board, Governor Roy A. Young and Vice Governor Edmund Platt, all Republicans, voted to approve the discount-rate increases applied for by the New York bank. The decision against approval was given by Dr. Miller, former Governor Charles S. Hamlin and George R. James, all Democrats, and Controller of the Currency John W. Pole and the late Edward H. Cunningham, Republicans.

The momentous operations of 1927 originated in a serious monetary stringency in Europe. The year had opened with the largest flow of gold to the United States for any month in three years, and the movement continued on a considerable scale for several months. When, in addition to this, the Bank of France suddenly began in the Spring to accumulate gold in large amounts, the countries that had recently returned to a gold basis, particularly Great Britain, were placed under a severe strain. Among Continental countries the strain was heaviest in Germany, and the Reichsbank seized it as the occasion for abruptly curbing the great speculation that had been going on in that country for more than a year. One result was the "Black Friday," May 13, on the Berlin Boerse.

These and other developments led to a series of consultations among central bank executives in Europe, and then to a simultaneous and unprecedented visit to the United States by representatives of the three largest European central banks. Dr. Charles Rist and Dr. Paul Ricard, deputy governor and chief economist, respectively, of the Bank of France, arrived in New York on June 28; Montagu C. Norman, governor of the Bank of England, and Dr. Hjalmar Schacht, president of the Reichsbank, traveling together, arrived on July 1.

Benjamin Strong, who was governor of the Federal Reserve Bank of New York from its organization in 1914 to his death in 1928, was at this period universally recognized as the dominant figure in the Federal Reserve System. Daniel R. Crissinger, a lawyer-banker-farmer of Marion, Ohio, was then governor of the Federal Reserve Board, to which President Harding had appointed him; but he was completely overshadowed by the vigorous personality of Governor Strong. The latter had for several years directed his efforts largely to the development of Federal Reserve post-war policy, with particular reference to hastening the return of world monetary stabilization. Under his leadership the twelve reserve banks cooperated with a number of central banks abroad in providing credits to various countries as they returned to a gold basis. The prospect of a tightening of credit throughout Europe in 1927 threatened defeat of this whole international movement, with an early abandonment of the gold standard by Great Britain as one of the most serious possibilities.

The visit of the European bankers, to whom Governor Strong was host, was given an air of informality and its real purpose kept a close secret. Candid publicity would only have precipitated the crisis that the visitors hoped to avert through American cooperation. Most of the "conversations"—the word "conference" was scrupulously avoided—were held at the Long Island estates of Ogden Mills and Mrs. Ruth Pratt and at the New York bank. The American participants were officers and directors of the New York bank and members of the Open-Market Investment Committee—the "policy committee" of the reserve banks—of which Governor Strong was chairman. Out of these conversations came the project of a great credit-easing operation by the Federal Reserve Banks as an alternative to a tightening of credit by the

Bank of England and other central banks abroad. It was designed to arrest the flow of gold from Europe and, if possible, to induce a return flow from the United States.

With this project tentatively and informally decided on as a basis for further consideration by the Open-Market Investment Committee, the visitors went to Washington on Thursday, July 7, for "calls of courtesy" on the members of the Federal Reserve Board. They were entertained at a luncheon party by Governor Crissinger, but contrary to contemporary press-dispatches, which purported to reveal the discussion of important matters, the gathering was given over to table talk and to brief addresses of mutual good-will. The essential purpose of the visit to New York was not broached at the luncheon, nor was it discussed with the Federal Reserve Board, either before or after. It appears to have been communicated in advance to Governor Crissinger, but if this was done its import evidently escaped him. There were, however, three private conversations—one between Dr. Miller and Dr. Schacht, one between Dr. Miller and Dr. Rist, and one between Dr. Miller and Governor Norman, who were joined by Governor Strong, Dr. Schacht and Dr. Rist.

Dr. Miller has indicated that Dr. Schacht "stood somewhat apart" from the others. He wanted "a true money-rate in the world's leading market"—New York—so that money would not "spill into Germany from the outside and thus neutralize his efforts at internal regulation and control." Dr. Miller, too, opposed artificial intervention in the gold movements. He rejected the theory that there was a maldistribution of gold, and held that an effort to rearrange gold levels in other countries by cheapening credit in the United States would have only apparent and temporary advantages and might, among other things, unduly encourage speculation. Governor Norman and Governor Strong argued that the positive advantages, particularly the maintenance of the gold standard, were compelling and conclusive. Defeat of the widespread efforts at monetary stabilization, setting back European recovery indefinitely, would have demoralizing repercussions on American business and finance, and most of all on American agriculture.

The Washington visit was a matter of only a few hours. The visitors returned to New York on an afternoon train, Governor Crissinger, on Governor Strong's suggestion, accompanying them. When Governor Crissinger returned to Washington, he reported the tenor of the concluding discussions—which, of course, involved no formal agreement—to the Federal Reserve Board.

Dr. Miller, before going on his vacation, left with the board on July 11 a memorandum opposing a general easing of credit by either of the usual methods. If it was undertaken anyhow, he argued, it should be by the lowering of the discount rate alone, because this involved "the minimum of hazard of stimulation of securities activity such as I believe will almost certainly follow from the putting of money into the money market through open-market purchases of [government] securities by Federal Reserve Banks." He urged that in any event the board defer action until the middle of September, when there would be a meeting of the Federal Advisory Council.

Meanwhile a decided business decline had begun in the United States. There was more than a seasonal decrease in trade and employment; steel production was off materially; car loadings had dropped; commodity prices were "very low." The bond market, clogged with undigested new issues, was depressed by a series of "unpegging" operations by various underwriting houses. In June the stock market had what was currently described as a "violent liquidation" and

"collapse." In only one important industry, agriculture, was production likely to be greater than the year before. But over the all-important grain and cotton exports hung the cloud of adverse European exchanges.

On July 27 the Open-Market Investment Committee met at Washington and recommended to the board and the Reserve Banks that the system immediately adopt a credit-easing program. It advised employing both open-market operations to enlarge the basis of credit and a reduction of the discount rate from 4 per cent to 3½ per cent to effect a general lowering of interest rates. The committee consisted of Governor Strong and four other Reserve Bank governors—the late W. P. G. Harding of Boston, George W. Norris of Philadelphia, E. R. Fancher of Cleveland and James B. McDougal of Chicago. Other Reserve Bank governors also attended the meeting, among them Roy A. Young, then of the Minneapolis bank, and the late W. J. Bailey of the Kansas City bank.

"The foreign situation," the confidential report of the committee stated, "is very critical at the moment." While recognizing that the policy they advocated might encourage speculation in securities, they held that it was more important to business in general that the financing of the domestic crop-movement be facilitated, that the European exchanges be strengthened to foster American agricultural exports and that further gold imports into the United States be prevented. These objectives attained, the policy could be reversed if speculation became extensive.

The same day Dr. Miller learned that this meeting was being held, and renewed his objections in a telegram from Lake Louise, Canada. He referred in it to "indications of firming commodity prices and of active trade following augmented crops this Autumn," and said that "cheapened [credit] policy might give unhealthful stimulus." Against these possibilities, however, were the tangible developments here and abroad and the recommendation of the operating heads of the Reserve Banks. All the members of the board then in Washington—Crissinger, Hamlin, James, Cunningham and Controller of the Currency Joseph W. McIntosh—promptly voted their approval of the credit-easing proposals. Mr. Cunningham was skeptical of the open-market operations but positive in his support of the lower discount rates. Secretary Mellon and Mr. Platt, who were abroad when this vote was taken, approved of all the operations under it that occurred after their return. Dr. Miller was thus alone in his dissent.

On July 29 the lowering of the discount rate began—not, however, in New York, but in Kansas City. Thus a policy that was international in its origin, and both foreign and domestic in its purpose, was given the appearance of being exclusively domestic and primarily agricultural. This was accentuated when, a week later, on Aug. 4, the St. Louis bank followed the action of Kansas City. A reduction in the Eastern money-centres was therefore logical. New York and Boston acted on Aug. 5, Cleveland on Aug. 6. In the next week, on Aug. 12, 13 and 16, the banks at Dallas, Atlanta and Richmond followed in turn. Then came the celebrated incident at Chicago, when, by an unprecedented order of the Federal Reserve Board, the Reserve Bank there was required to put the 3½ per cent rate into effect on Sept. 7 "to conform to system policy."

Actually the Chicago incident was an echo of the conference of Reserve Bank governors at Washington on July 27. Though unanimous in their approval of the credit-easing policy, some of the governors had expressed the view that "local conditions in some of the interior Reserve districts do not indicate any demand for rate reductions in those districts." The directors of the Chicago bank met to con-

sider the proposed reduction on Sept. 2. They voted, for reasons never communicated to the Federal Reserve Board, to continue the 4 per cent rate. The receipt by the board of the usual code telegram that meant simply "rate continued" provoked an indignant protest in the board's meeting, which was expressed by the four members from the interior districts—Cunningham and McIntosh of the Chicago district, James of the St. Louis district, and Crissinger of the Cleveland district. They regarded the proposed continuation of the 4 per cent rate in Chicago as calculated to impose higher interest charges on country banks and agricultural and business borrowers in the Chicago district than in surrounding districts.

The decision of the Chicago bank was promptly voted "not approved," although Mr. Hamlin and Mr. Platt strongly dissented. Governor Crissinger, by long-distance telephone, notified William A. Heath, chairman of the Federal Reserve Bank of Chicago and the Federal Reserve agent there, that he would be permitted to continue the 4 per cent rate only through Tuesday, Sept. 6, on which date he must reconvene his directors for further action.

On Tuesday Dr. Miller arrived in Washington and immediately aligned himself with the two dissenters. On Tuesday Secretary Mellon, who had just returned from Europe, learned of the Chicago situation through reports that had reached the New York Reserve Bank. He communicated to Governor Crissinger his disapproval of mandatory action by the board and asked that any decision be deferred until he reached Washington. Later in the day Governor Crissinger was notified by the Chicago bank that a quorum could not be secured there until Friday, but that in the circumstances the bank would probably then vote the 3½ per cent rate.

Between the pointed comment of some of the minority on this occasion, the "obstinacy" of the Chicago directors, and the "interference" of Secretary Mellon, Governor Crissinger's jealousy of his authority and zeal to demonstrate it were now thoroughly aroused. If he waited until the Secretary of the Treasury arrived, a motion to enforce the 3½ per cent rate in Chicago would be lost by a tie vote. A meeting was thereupon convened, Secretary Mellon's message was not communicated to it, and by a four to three vote the Chicago bank was ordered to put the 3½ per cent rate into effect at the opening of business on the following morning. Within the next few days President Coolidge returned to Washington from the Black Hills of South Dakota, and on Sept. 15 Secretary Mellon promptly confirmed a rumor that Governor Crissinger had resigned. The appointment of his successor, Governor Young of the Minneapolis bank, was announced by the President on Sept. 21.

Meanwhile, the system-wide reduction of the discount rate had been completed by the action of the Philadelphia, San Francisco and Minneapolis banks on Sept. 8, 10 and 13. In addition, the pumping of new funds into the member banks by the Reserve Banks was well under way. On July 27, when the credit-easing policy was adopted, the "system investment account" stood at $266,000,000. This was carried to a peak of $427,000,000 by the middle of December. More than half the increase, however, was effected in the first thirty days of the operations, and the balance was largely used to offset gold exports. In other words, during the months of the crop movement and the business recession, and of the large exports of gold that began in September, the system's open-market purchases of $161,000,000 provided the basis of member-bank credit to more than ten times that figure.

The results of the combination of lower discount rates and open-market purchases justified the predictions made during the discussions in July. Foreign exchange rates were im-

proved; funds were attracted to London and other foreign money centers; foreign bond flotations were encouraged; the gold standard was maintained in all the countries that had returned to it and was restored in still others; gold movements to and from the United States were changed from net imports to net exports; domestic interest rates were reduced; the agricultural situation was improved; a firmer level of commodity prices was established; industrial production was increased; wholesale and retail trade was increased, and speculation was stimulated.

As soon as it became clear that the tide of business had definitely turned upward, the Federal Reserve Banks, through Governor Strong's committee and with the approval of the Federal Reserve Board, inaugurated a "firming" money policy. The first move, early in November, was to diminish the volume of open-market purchases in relation to gold exports; the next month the offsetting of the gold exports was discontinued altogether. Late in December another event of importance occurred within the system. Its most forceful leader, Governor Strong, who had gone to London for a conference on Italian monetary stabilization, returned very ill. From then until his death on Oct. 16, 1928, he had but little part in Reserve System affairs. During the months that intervened, Owen D. Young, the vice chairman of the New York bank, and Jackson E. Reynolds, president of the First National Bank of New York—both of them, incidentally, prominent Democrats—became the most influential factors in Federal Reserve councils in New York.

For the year 1927 as a whole the main trend of business was downward. Corporate net incomes, for example, fell from $7,621,000,000 in 1925 and $7,504,000,000 in 1926 to $6,510,000,000 in 1927. In the stock market, on the other hand, the main trend was upward; brokers' loans rose more or less steadily from $3,100,000,000 in January, 1927, to $4,400,000,000 in 1928. The notorious "loans for others," which impaired Federal Reserve policy more than any other single development, increased in 1927 to more than $1,000,000,000.

The first week of the new year brought an unintended challenge to Federal Reserve policy from the White House. The Associated Press sent out a brief but sensational dispatch that read as follows: "WASHINGTON, Jan. 6.—President Coolidge is of the opinion that the record-breaking increase in brokers' loans held by Federal Reserve member banks is not large enough to cause any unfavorable comment." When the President authorized the statement he was unaware of the policy that the Federal Reserve authorities had quietly inaugurated a few weeks earlier. Apparently he learned over night of the privately voiced resentment that his presumption had evoked in some of the Reserve Banks and in the Federal Reserve Board, because on the following day he explained at some length that he simply meant that there was "a natural expansion of business in the securities market," and that he was "not attempting to qualify as an expert on the Federal Reserve System."

The system, however, promptly showed its divergence from the President's view of the activity in securities. It began at once to sell government securities in the open market as fast as the market would take them. In five weeks it unloaded approximately as many as it had bought during the five months of credit-easing operations in 1927. The discount policy was also changed. On Jan. 25 the Chicago bank restored the 4 per cent rate, and was followed by Richmond on Jan. 27, by New York on Feb. 3, by San Francisco on Feb. 4, by Minneapolis on Feb. 7 and by Boston and Dallas on Feb. 8. By the end of the month all the other banks had taken the same action. In addition, the

banks advanced their buying rates for bankers' acceptances.

Despite these moves and huge uncompensated gold exports that were still going on, the effect on the stock market was unimportant. Again, therefore, the Reserve banks sold Government securities. In the course of March, April and May they duplicated the operations of January and February. By the end of May the holdings that had risen from $266,000,000 in the previous July to $427,000,000 in December were down to the relatively nominal sum of $82,000,000. That device was exhausted. Another advance in the discount rate, to 4½ per cent, was initiated in Chicago and Boston on April 20 and followed by all the other banks. In July still another advance, to 5 per cent, occurred in Chicago and was followed by all the banks except Minneapolis, Kansas City, Dallas and San Francisco. Further advances were also made during these periods in the buying rates for bankers' bills, until at the end of July they ranged from 4½ to 5 per cent, as compared with 3 to 3¾ per cent at the beginning of the year.

The concern of the system then was whether, in its efforts to check the flow of credit into the stock market, it was not imposing an undue interest burden on industry, commerce and agriculture. Business, by all the accredited criteria, was entitled to more favorable borrowing rates than those generally prevailing, the chief practical effect of which was to give extraordinarily large profits to the member banks. This concern was one of the principal subjects of discussion at a meeting in Washington of the Federal Advisory Council during what its confidential report described as "this time of high money rates." The president of the council at the time was Frank O. Wetmore, chairman of the First National Bank of Chicago, and Walter Lichtenstein of the same bank was secretary. The members of the council, polled on the business situation, advised the board that it was "generally good and on a sound basis."

But even before this the Federal Reserve Banks and the Federal Reserve Board were defeated in the credit race against the speculative frenzy. The market was out of control. The stock-exchange fraternity and its millions of followers had disregarded the largest and most rapid reversal of credit policy in the history of central banking. That reversal might have begun earlier, it might have been carried on more rapidly; but there is no Einstein of economics and sociology to calculate what the flow of speculative billions and the working of the mass mind would have been if a date, a decimal, or a discount-rate fraction had been altered here or there. The die was cast on July 27, 1927, when the credit-easing policy was adopted. The timing and momentum of system operations thereafter represented the composite judgment of the 128 men who controlled Federal Reserve activities—the twelve Reserve Bank governors, the 108 Reserve Bank directors and the eight members of the Federal Reserve Board.

To argue that Republican politics was the explanation of this is, of course, but an easy rationalization of complex decisions and events—decisions and events for which there were no precedents. It is to substitute political imagination for knowledge of essential facts. Federal Reserve policy in 1927-28 had the active and earnest support of veterans of the system who had served during the Wilson Administration as well as during the Harding and Coolidge Administrations. Both in the Reserve Banks and in the Reserve Board the formulation and execution of the policy was as much the work of Democrats as of Republicans. Their being Democrats or Republicans had no more part in the decisions of the latter than of the former. If they failed, they failed together.

# Mussolini's Ten Years of Power

By WILLIAM MARTIN

[October of this year marks the tenth anniversary of Mussolini's rise to power in Italy. The following article by the editor of the *Journal de Geneve* attempts to assess the personality and work of Il Duce at the end of a decade of power. As a prominent resident of Geneva, Mr. Martin has had the opportunity to know many of the outstanding public figures of Europe, among them Mussolini and his former Foreign Secretary, Dino Grandi.]

THE career of the Italian dictator, Benito Mussolini, is one of the most colorful and amazing in modern times. It begins in the village of Predappio, near Forli, where, the son of an illiterate blacksmith, he was born in 1883; it has carried him through various phases of the Italian Socialist movement into the World War; and today he sits in the Palazzo di Venezia in Rome directing the destinies of a great nation, while the eyes of the world are fixed upon him.

Probably the most decisive moment in Mussolini's life was when in his youth he took an examination for an appointment as schoolmaster at Forli. That represented the height of his ambition, and he was deeply disappointed when a formality caused his failure. What would have been the history of Italy and modern Europe if Benito Mussolini had been appointed schoolmaster at Forli? Perhaps his desire for power would have been satisfied by the opportunity to rule the children in his classroom. But today Mussolini would be unknown.

After his failure time hung heavy on his hands. His father's friends, wishing to help him, made him editor of a small local Socialist paper. Here he became so notorious because of his advanced opinions that he was forced to flee to Switzerland. When he returned to Italy, a marked man because of his persecution and exile, he became the managing editor of *Avanti,* the famous Socialist paper of Milan. But just then the war broke out and Mussolini, always eager for action, parted from his Socialist friends, who were opposed to Italy's participation in the conflict. He knew then, shrewdly enough, that if socialism was ever to have an opportunity to put its principles into practice it would be through war and the shock it would give to capitalism. But his war speeches soon brought him new contacts. He became less and less the internationalist and more and more the patriot. He fought with distinction in the trenches, and after the armistice he reappeared at the head of a powerful new party which had little in common with socialism and which opposed everything that he had formerly advocated.

When the war ended Italy was filled with idle men—former army officers and unemployed workingmen who in other days would have emigrated to the United States, but who were now forced by American immigration laws to stay at home. All those who sought a place in the sun—or anywhere else—enlisted under the banner of Mussolini; and it was at the head of this proletarian army of the unemployed that he marched on Rome in the Autumn of 1922. This was no march of conquest—it followed an appeal from the King. Yet, as a result of it, Mussolini found himself a dictator, and this year he celebrates what is unusual with most

dictators—the tenth year of his reign.

To the outside observer Mussolini's career is full of contradictions—he has been internationalist, then nationalist; Socialist, then dictator; an advocate of the people's welfare, then a reactionary. Mussolini seems to have worshiped all political idols, professed all faiths. Even during the past decade it is not difficult to find in him many inconsistencies of word and deed. More than slight variations of mood appear in his thunderous praise of machine guns and rifles and his policy of disarmament, in his bellicose speech at Florence on May 17, 1930, and his peace message to America on Jan. 1, 1931.

But through the mazes of this brilliant, varied career there runs a guiding thread which gives it much greater unity than one would expect. Mussolini has not changed; only his environment is different. His temperament has remained the same, and fundamentally his opinions have altered very little; temperament and opinions, however, have been adapted to new conditions.

Mussolini has never believed in democracy. Even when he was a Socialist editor he hated Parliaments. This man who fascinates the crowd with his inflammatory eloquence has always detested parliamentary oratory, which never results in immediate action. He has sought the people's good, but in spite of them; he has never believed that the public is capable of recognizing its own best interests. Leaders must bestow blessings on the people—such is the formula of all dictators. Mussolini has always had a profound belief in force. He is not one who believes that truth beareth away the victory and that right makes might. On the contrary, he believes that might must precede right. In his youth, like Briand and many other radicals, he advocated the general strike and resistance to the police, but today he sees nothing inconsistent in employing the police to carry out measures which he wanted to effect by the people's will-power.

Even internationally, Mussolini's mind has undergone no change. Certainly he was never a patriot in the bourgeois sense of the word. But he has always had great faith in the destinies of Italy, and when he sought to lead the Italian people into the paths of revolution, it was because he believed that they were summoned by long historical tradition to play a world rôle. From that point it was not far to the belief that Italy should participate in the World War, and thus recapture her historic position. Mussolini took this step without difficulty. Upon examining his ideas, one is struck by the bond between him and another Socialist who became a dictator, under very different conditions but for similar reasons—Lenin. In the same way one finds analogies with fascism in Germany's Nazi movement. Only those who are satisfied with surface indications can believe that Western European dictatorships are destined to save bourgeois society and capitalism. The dictators themselves think otherwise.

If, as a Socialist, Mussolini was not a democratic Socialist, but a revolutionary advocate of direct action, the same Mussolini as dictator is anything but reactionary. True, he has sometimes leaned upon the great bankers and industrial magnates of his country, but they, through fear of communism, gave him their support and aided him in his hour of success. It was no accident that fascism received its greatest impetus after the workers' seizure of the factories in 1921. Moreover, once in power, Mussolini could rely upon the esteem of the existing conservative interests—the banks, industry, the army and the court. He has given them pledges, has sought to remove their fears, but at heart he has remained determined upon social reforms, and the boldest of such reforms

do not frighten him. Mussolini, while holding now, or in the past, several Cabinet portfolios himself, has accepted the advice of his technical collaborators in all departments which do not interest him directly. But there is one domain which he controls exclusively and in which the work of fascism is truly his own—that relating to economic organization and social reform. If you should ask Mussolini what he considers to be the greatest accomplishment of fascism, he would undoubtedly reply that it has been the granting of rights to labor and the organization of the "corporative" State, a nation united in all its functions.

There is no need here to pass judgment on this aspect of his work, for it could only be brief and superficial. But attention should be directed to three outstanding phenomena which have appeared in the chaos of modern society—first, the American experiment of high wages; second, the Bolshevist experiment in the dictatorship of the proletariat, and, third, the Fascist experiment in coordinating the welfare of the State with the interests of both workers and employers. To decide whether or not this philosophy has enduring vitality, one would have to see it operating, not merely under dictatorship, but also in a free society, for might can establish nothing permanent. Only the free play of forces can give institutions lasting character and sufficient reality. But with this proviso, which the Fascists themselves make, there is no denying that the social experiment of the present régime in Italy contains the basic pattern of a strong and valuable design. And this is the creation of Mussolini, who is more socialistic, more preoccupied with the welfare of the people and more in contact with the proletariat than is often believed.

Mussolini never misses a chance of recalling that he has sprung from the masses and of making clear that his sympathies are always with the people. In recent months he has expressed this thought many times and in various forms, notably in his speech at Naples on Oct. 24, 1931, which caused a great sensation throughout Italy and gave the industrial magnates no little uneasiness. The latter gained the impression that fascism was abandoning its conservative origin and moving toward a wholly Socialist concept of the economic rôle of the State. For this reason the present phase of development is extremely interesting.

It is well enough known that about a year ago one of the foremost banks of Italy, the Banca Commerciale, was in trouble. There was nothing unusual in that, in view of the economic situation in Europe, but the troubles of the Banca Commerciale arose from an unwise investment policy, which had given the institution control over a large part of Italian industry. No one knows whether the bank took this course under pressure from a government which sought to control the nation's economic life through an intermediary, or whether the bank's action was inspired by fear that the currency had been stabilized at too high a rate of exchange and was not sound. But it is at least certain that the government, in a most audacious fashion, made use of the bank's difficulties for its own ends.

Under the name of the Instituto Mobiliare Italiano (I. M. I.), Mussolini has founded an organization which has taken over all the industrial activities of the Banca Commerciale. It becomes at once apparent that this institution, managed directly by the State, is going to be in a position to exercise a determining influence on the enterprises in which the Banca Commerciale was interested—practically all the industries of Italy. Without a gesture, without a word, without any declaration of principle, but merely acting with full knowledge of what he was about, Mussolini has

thus attained what it has taken bolshevism years to accomplish—the seizure by the State of the country's economic life. He does not hesitate to declare that his purpose is not to inject artificial life into unsound industries, but to separate those which pay from those which do not. In other words, he would achieve a controlled economy—the dream of all European governments. Have we not here the realization of precisely that State socialism which was the ideal of Mussolini's youth?

In the same way, the logic of his course in foreign affairs may be traced. Mussolini has never had but one idea—the greatness of Italy. What has differed according to time and circumstance has been merely the best means to attain that end. When he praised war, his purpose above all was to give his people a sense of discipline and sacrifice and the consciousness of nationality which centuries of foreign domination had somewhat blunted. But the greatness of Italy demands both moral virtue and economic strength. That is why Mussolini's bellicose utterances are always accompanied by positive promises concerning internal reforms and economic advancement.

Eventually, however, post-war financial stringencies demanded a choice between these conflicting aims. Italy can produce bigger and better armaments. She can fortify herself economically. But she cannot do both things at once, because she lacks the necessary funds. At this juncture Mussolini apparently hesitated; in the end he followed the advice of his Foreign Minister. His message of peace to the people of America on Jan. 1, 1931, marks exactly the date of his decision. Italy was to sponsor a policy of international disarmament which would provide her with sufficient financial resources to realize the great internal plans which fascism considers to be part of its program.

When Mussolini adopted this new policy he said that he reserved the right to abandon it if circumstances so demanded. "If the Disarmament Conference succeeds," he said in Rome in December, 1931, "I shall make the *Balilla* [the organization of Italian youth] part of the international Boy Scout movement; on the contrary, if it fails, I shall accentuate its military character." Unfortunately, Mussolini is an impatient man who likes rapid decisions. Unable to withhold judgment until the work of the conference was completed, he has condemned it at the end of only its first phase—and that undoubtedly explains the sudden removal of Foreign Minister Grandi. One must now wait to see whether Italy will revive her military plans and sacrifice to them her projected internal reforms.

In domestic affairs the end likewise justifies the means. Mussolini was opposed to the King when the monarchy seemed an obstacle to his plans, but the moment he saw that the monarchy would be useful to him, he rallied to the House of Savoy. At the beginning of his rise to power he attempted to govern with a Parliament which had been chosen by the people and with a coalition Cabinet in which there were only four Fascist Ministers. His opponents united with his own supporters to seat him in the dictator's chair. Yet there is no evidence that some day, when domestic affairs seem favorable, he will not return to the idea of a normal government of which we once heard so much in his speeches. Domestic affairs, moreover, may become favorable. External opposition to fascism is now practically non-existent. Within the Fascist party itself several currents can be noted, one of which is carrying the head of the government toward complete democracy. Circumstances, much more than any preconceived plan, will determine the future, for Mussolini, who seems so inflexible, is an opportunist at heart.

In Mussolini there is a symbol and

there is a man. The symbol is fascism —a revolutionary doctrine of dictatorship which seeks to subordinate the individual to the good of the State as it is conceived by certain self-appointed leaders. At bottom this program is not new; numerous examples of it are to be found in the history of the medieval Italian republics. What is novel and daring is to have transformed the doctrine into a religion and to have proclaimed it in the twentieth century after three generations had accepted democracy as the last word in progress. Another innovation is to associate autocracy with the belief in progress rather than with reaction. Here Mussolini surely has exercised a profound influence on the development of modern political thought.

His part in international relations has been no less significant. He has posed as the champion of treaty revision, not because of direct national interest but because of temperament. A man for whom life must be activity cannot comprehend that international stability rests on the permanency of treaties. His conception of politics is dynamic; it is that, much more than Italian interests, which explains his friendship for Germany and his dislike for France. Some one who knows Mussolini intimately has said that toward France he feels no hate, only frustrated love. After all, there is a close resemblance between the two. Such is Mussolini the symbol—the incarnation of the belief in dictatorship and the idea of action.

As for the man himself, I have seen Mussolini in his immense study at the Palazzo di Venezia, a room so huge that as one enters the door he looks almost tiny behind his desk. I have seen him sure of himself and of his ideas, never conceiving the possibility of any view other than his own, and as dogmatic in his opinions as in his orders. But I have also seen him nervous, agitated, tired and almost uneasy. At such times, while he talks, he will sweep his arm over his desk with a terrific gesture and will sway back and forth in his seat as if he were in a rocking-chair. He is ever simple, direct and human—far different from the conventional portrait —but underneath he is lonely, separated from the masses, isolated by his position and authority even more than he could be by pride and majesty.

# The March on Rome: Revised Version

By GAETANO SALVEMINI

[The author of the following article is a noted Italian historian who has been Professor of History at the universities of Messina, Pisa and Florence. For ten years he edited the Liberal newspaper *L'Unita* and from 1919-21 he was a member of the Italian Parliament. After the Fascists came to power he was constantly under suspicion and spent a short time in prison in 1925 for his alleged opposition to the Fascist Government. That year he left Italy to settle in London, where he has been an outstanding critic of Fascist rule.]

THE well-known English writer, Israel Zangwill, was staying in Florence during the last days of October, 1922, at the moment of the political crisis which placed the government of Italy in the hands of Mussolini. In his eyes the events of those days resembled comic opera more than real revolution. Curzio Malaparte, one of the Fascist leaders in Tuscany, describes the episode in his little book *Coup d'Etat: The Technique of Revolution* (New York: E. P. Dutton & Co., 1932). He endeavored to persuade Zangwill that he was witnessing a revolution, and to convince him Malaparte drove Zangwill to the gas works, the telephone exchange, the telegraph office, the bridges and the railway stations. All these "strategical positions" were in the hands of Black Shirts. The result of this demonstration was disastrous for Malaparte's thesis. Zangwill observed that the Fascists had seized all these positions without striking a blow, while the police had taken refuge in the Prefecture behind rows of carabineers, royal guards and armored cars. Not only that, "the troops of the garrison, the infantry and cavalry regiments were under orders to remain in barracks; for the time being the authorities were observing a benevolent neutrality."

Malaparte called Zangwill's attention to the fact that the Prefect of Florence could not communicate with the other authorities because the Fascists held all the telephone and telegraph offices. He neglected to tell him that in Florence the military headquarters are only 200 yards from the Prefecture and that in five minutes the Prefect could have sent orders to the commanding officer to clear out the Fascists from their "strategical positions." Even without knowing this significant detail Zangwill might well have wondered why the Prefect made no use of the police, concentrated in the Prefecture, to expel the Fascists from the telephone and telegraph offices and from the central railway station—all of them within a quarter of a mile of the Prefecture.

The attitude of General Gonzaga, the commanding officer of the garrison of Florence, as described by Malaparte, was, if anything, still more ambiguous than that of the Prefect. After confining all troops to barracks and thus enabling the Fascists to seize the "strategical points" without striking a blow, he learned from the newspapers that the King was negotiating with Mussolini and likely to invite him to become Prime Minister. At the moment the news was fictitious. But General Gonzaga wirelessed to the Ministry of War in Rome for confirmation—apparently the military authorities still had at their disposal the wireless service which the Fas-

cists had forgotten to commandeer. The Ministry of War refused to answer directly, replying that the name of the King must not be brought into party quarrels and that the news was probably premature. The General's next step was to go to the Fascist headquarters in Florence and ask if the news was correct. He was assured that it was. This "good news put an end to his conscientious scruples and lifted a great responsibility from his shoulders"—that of dislodging the Fascists from those "strategical points."

Almost all the Generals commanding military forces in other cities acted more or less as did General Gonzaga at Florence. One needs only to read the accounts in the *Popolo d'Italia* for Oct. 28, 29 and 31, 1922, by the local correspondents in Siena, Piacenza, Cremona, Vicenza, Alessandria, Verona, Mantua and Bologna. Everywhere the Generals confined the troops to barracks and allowed the Fascists to take possession of the railway stations, telegraph and telephone offices, arsenals and newspaper buildings. Wherever the Fascists advanced, the army chiefs tactfully retired. In the rare instances when the military authorities did their duty the Fascists did not move an inch, or if they attempted to seize "strategical points" they were easily dislodged.

A typical case brought to my notice by an eyewitness occurred at Padua. General Boriani, the commander of the garrison of that town, was away on leave, or apparently so, on the night of Oct. 27. General Emo-Capodilista, who was in temporary command and did not belong to the military set who were in collusion with the Fascists, was preparing to take the necessary steps to dislodge the latter when General Boriani hastily ended his leave, took over the command again in the middle of the night and confined the troops to barracks.

As early as Sept. 29, a month before the "march on Rome," the headquarters of the Fascist party had been assured "that the army would remain neutral." This essential fact was divulged by Alessandro Chiavolini, Mussolini's private secretary, in the *Popolo d'Italia* for Oct. 27, 1923. Mussolini himself in a speech on Oct. 30, 1923, declared that he knew that "at the opportune moment the government machine guns would not fire on the revolutionaries." Richard Washburn Child, the American Ambassador in Rome in Oct., 1922, writes in his book, *A Diplomat Looks at Europe,* that he had it on good authority that "the army" secretly favored the movement; but by "army" must, of course, be understood "army chiefs."

A retired General, De Bono, was one of the "quadrumvirate" who on Oct. 27 directed the movement from Perugia. Five other retired Generals, Fara, Maggiotto, Ceccherini, Zamboni and Tiby, commanded the Fascist groups which on the night of Oct. 27 were "marching" on Rome. While these retired Generals were directing the sedition around Rome, other officers, some pensioned, others in service but on official leave, were commanding the Fascist groups which were seizing "strategical points" in the towns.

A Fascist who with his comrades occupied the railway station of Cancello, south of Rome, says in an account of his adventures: "The rumor reached us that the carabineers were proposing to break our lines. We were posted with a one day's ration of bread and corned beef. But it was a false alarm. They never appeared. Instead of that a quartermaster came, singing the praises of Mussolini, and offered us a truckload of all sorts of good things."

Had he known these facts Zangwill would have been still more confirmed in his opinion that he was witnessing a comic opera.

The King, who had been at his country home of San Rossore, near Pisa, was informed of what was happening and arrived in Rome on the evening of Oct. 27. He was indignant. "Rather than give in," he said in the Piedmontese dialect, "I will go right away with my wife and my boys." That night the Cabinet decided to declare martial law, and while awaiting the King's signature to the proclamation they forced the Prefects of the provinces to hand over their powers to the military authorities.

The Ministers were sure that the King would sign the decree without discussion. In the twenty-two years of his reign he had never refused a signature to a Minister. While neither stupid nor wicked, he is incapable of initiative. His use of the royal prerogative has always been confined to signing the laws and decrees laid before him by his Prime Minister. When a Cabinet resigned, he would call in those who, according to etiquette, were the proper people to be consulted in such circumstances; he would ask each one whom he would suggest as the next Prime Minister, making a note of each recommendation. In the end the man whose name had been put forward by the greatest number would be sent for. Having performed this duty, the King would resume his habit of signing the decrees which the new Prime Minister laid before him.

Feeling certain that the King would sign the proclamation of martial law, the Ministers had the decree publicly posted at 10 A. M. on Oct. 28. As soon as the news was known the Fascists of Rome were seized with panic. They feared that the army chiefs, recalled to their oath of allegiance by a peremptory order from the King, would set the machinery of repression in operation. From 10 A. M. until noon not a Fascist was to be seen on the streets of Rome. One of the Fascist leaders, the present Minister Acerbo, then a member of the Chamber of Deputies, clad in his black shirt, took refuge in the Palazzo Montecitorio, where the Deputies sit, and asked, trembling all over, whether he could be sure of not being arrested if he remained there.

Meanwhile, Luigi Facta, the Prime Minister, took the decree to the King for signature. But he had been forestalled. During the night of Oct. 27 Admiral Thaon de Revel had "advised" the King to yield to the "revolution." On the morning of Oct. 28 General Diaz—one of the army chiefs—arrived at the Palace. He had been in Florence during the previous afternoon when the headquarters of the Fascist party ordered the "mobilization" of the Black Shirts and their "march on Rome." He received an ovation from the Fascists, gave an interview to *La Nasinie,* a Florence daily, in which he expressed his complete faith in the Fascist movement and rushed off by car to Rome to "inform" the King that the army would not fight against the Fascists. News also reached the King that his cousin, the Duke of Aosta, was at Bevagna, near Perugia, in touch with the "quadrumvirate" which was directing the sedition, ready to have himself proclaimed king as soon as the actual ruler should abdicate or be deposed by the Fascists. It is not for nothing that the Duke of Aosta was the husband of an Orleans Princess.

The King was frightened by all this "advice," "information" and "news." But Premier Facta was still more afraid than the King; moreover, he imagined that he was going to be asked to form a new ministry with the collaboration of the Fascists if he aided in finding a compromise. Therefore he did not advise the King to sign the proclamation. "Sire," he said to the sovereign, "think it over." The King thought it over—and refused to sign; it was easier not to sign. He acted exactly like the Generals commanding provincial garri-

sons; he left the way open to the Fascists.

Having obtained the revocation of martial law, Thaon de Revel, Diaz and General Cittadini, aide de camp to the King and a supporter of the Fascist movement, suggested that the King send for the man on whom they could depend—Antonio Salandra, who had been informed several days previously of the high destiny which awaited him, and was already in Rome waiting to "sacrifice himself." But the King's advisers soon discovered that they had reckoned without their host.

The revocation of martial law was made known to the press at 12.15 P. M. and the news sent a thrill of triumph through the Fascists all over Italy. Leaving their "strategical points" they poured into all the streets, stormed the trains and thus "marched on Rome." It was impossible to stem the tide. The carabineers themselves left their barracks, fraternized with the Fascists and accompanied them on the "march." By refusing his signature to the decree of martial law, the King not only disarmed the Cabinet but lost his own freedom to choose the new Prime Minister. Until 12.15 P. M. on Oct. 28 Salandra might have negotiated with the Fascists with a view to giving them some subordinate place in the Cabinet. But from that time on Mussolini was master. For twenty-four hours, Salandra tried in vain to assemble a new Cabinet; during the afternoon of Oct. 29 he was obliged to acknowledge his failure. The King had no alternative but to call Mussolini.

The "mass suggestion" of Oct. 28, the failure of Salandra and the putting forward of Mussolini for the Premiership had been foreseen by no one. Mussolini had not been pleased in Naples, on Oct. 26, with the decision of the general staff of his party to order the "mobilization" of the Black Shirts. He distrusted the Nationalists, who were insisting that the order should not be postponed. He knew that the Nationalists wanted a Cabinet with Salandra at its head and with an openly conservative program. He did not like the idea of being dragged along in their wake. While the Nationalists were working for Salandra, Mussolini was negotiating on the one hand with Giolitti and on the other with Nitti, both of them being not only political but also personal enemies of Salandra and the Nationalists. He stipulated for posts in the Cabinet for his friends, an immediate dissolution of parliament and a general election. He was anxious not to compromise the success of his negotiations by violent measures whose outcome could not be foreseen. He brandished the threat of the "march on Rome" to make the politicians bend to his will, but he did not intend that the sword should be drawn from its scabbard.

After the Nationalists had carried their demand for immediate mobilization, Mussolini left Naples, crossed Rome without stopping, and instead of going to the headquarters of the movement at Perugia proceeded to Milan. If he had foreseen the sudden and overwhelming victory of Oct. 28 he would have gone to Perugia, to avoid sharing with others the glory of the "battle" and victory. But having no faith whatever in the adventure he betook himself to within two hours' journey from the Swiss frontier, ready for flight if things should turn out badly. Even the revocation of martial law did not bring a realization of his triumph. On the evening of Oct. 28 he was still negotiating—by telephone—with Salandra about the number of seats in the Cabinet which should be given to his party. It was Finzi, one of his friends with him in the offices of the *Popolo d'Italia*, that cut short negotiations by suddenly taking the receiver from Mussolini's hand and declaring to Salandra that he must make way for Mussolini.

The Nationalists in Rome who were backing Salandra were furious at the demands from Milan, but they too were obliged to give way. At the invitation of the King, Mussolini left Milan the next night and "marched on Rome" in a sleeping car.

How many Black Shirts on the morning of Oct. 28, 1922, "marched" on Rome? A Fascist paper, *La Patria,* in a highly colored account of the "epic" days which had just passed, stated on Oct. 31 that "the Fascists encamped at the gates of Rome during the night of Oct. 29 numbered almost 70,000" (quoted by the *Popolo d'Italia,* Nov. 1, 1922). This number was repeated in 1923 by an English journalist, Sir Percival Phillips, in his book *The Red Dragon and the Black Shirt.* In that case the conquest of Rome was the achievement of 117,000 Fascists, of whom 70,000 formed the front line. Again in 1924, in his work *Awakening Italy,* Luigi Villari, the Fascist propaganda agent in Anglo-Saxon countries, gave the figure as 70,000 for the troops in the front line, but put the rear guard at only 20,000. But two years later in the *Manchester Guardian* for March 27, 1926, he raised the total who "marched" on Rome to 200,000. Sir Ernest Benn, an English publisher and student of politics and economics, judged 200,000 not enough and raised the figure to 300,000. None of these gentlemen ever asked himself how many trains and trucks would have been required to transport in one night 70,000 men, much less 200,000 or 300,000. Mussolini's own organ, the *Popolo d'Italia,* on Nov. 3, 1922—a date too early for the Fascist legend to have been invented—stated that between Oct. 30 and Nov. 1 the railways had evacuated from Rome 45,000 Fascists. But in a speech on March 24, 1924, Mussolini said that he had had at his command 52,000 men; by June 17 he had increased the number to 60,000, although in a letter written on Oct. 28, 1924, he reduced it again to 50,000. Probably, then, his "troops" on the fateful Oct. 30 numbered between 50,000 and 60,000.

But the Fascists who entered Rome on Oct. 30 were more numerous than those who on the morning of Oct. 28 might have been called upon to face the regular army. The big rush of Black Shirts to Rome took place only after the revocation of the decree of martial law. During the morning of Oct. 28, according to a staff officer who was in Rome, not more than 8,000 Fascists were in the city. During the afternoon of Oct. 28, all the next day and the following night, thousands of Fascists "marched" on Rome and joined those who had reached the city during the night of Oct. 27 and on the morning of Oct. 28. A few of them, like Mussolini, "marched" in sleeping cars; the majority "marched" in the trains they took by storm, in trucks, on horseback, or even on foot.

Wherever they passed there was a prodigious slaughter of chickens and draining of wine casks. Any peasant indiscreet enough to claim rights of ownership over his poultry or wine ran the risk of being given short shrift as a "Communist" and an enemy of his country. Amid this "marching" anarchy Mussolini made his entry into Rome.

The Black Shirts were divided into four groups. Those who had been transported by the railway which links Rome with Pisa had been prudently halted at Santa Marinella, a seaside village near Civitavecchia, thirty miles west of Rome. Others, coming from Umbria, were at Orte, thirty miles north of Rome. The Fascists from the Abruzzi were halted at Tivoli, fifteen miles east of Rome. The "insurgents" from the south were at Valmontone on the Rome to Naples railway, forty-five miles from the capital. Between these scattered groups there was no direct contact. They had a few machine guns, rifles, revolvers and a small amount of ammunition, bludgeons, table legs and

branches of trees. Such is the description of them given in the *Popolo d'Italia* for Nov. 1, 1922—a source not open to suspicion—by the Belgian Member of Parliament M. Pierard, by the American journalist Carleton Beals, and by the Spanish journalist Sanchez Mazas, who were at Rome at the time.

The contingents of the regular army stationed in Rome numbered 12,000 men and could have easily dispersed these badly armed and ill disciplined groups. A pitched battle would have been unnecessary. It would have been enough to have left them without food and water in the desert of the Roman Campagna, cut off from their several bases. After twenty-four hours of this treatment a few judiciously administered kicks would have sufficed to have sent them home in a chastened mood. An old Roman prelate, who had been at the Vatican with Pius IX in 1870 when the Italian forces occupied Rome with a loss of twenty men, commented on the defense of Rome in 1922 with the pithy remark: "We in our day put up a better defense."

Was it a revolution? The "march on Rome" no doubt possesses certain of the elements of a "political revolution," in that a group of men, though armed only with table legs, took advantage of the weakness of the King and the Prime Minister and seized the government. But in a political revolution the army is beaten by the revolutionaries or is unable to resist them, while the army chiefs remain faithful to the regular government. In the case of the "march on Rome" the new men seized the government with the connivance of many military chiefs. Thus the "march on Rome" should rather be classed as a military *coup d'état.*

A military *coup d'état* is made with the help of the army by men who are in the highest posts in the government, as, for instance, the *coup d'état* in France on Dec. 2, 1851, when Louis Napoleon seized control of the Second Republic. In Italy in 1922 the King did not dare to abolish Parliament, nor did any general have the courage to compel the King to abdicate, or by a *coup d'état* to abolish Parliament.

To annul the parliamentary prerogatives the Italian military clique made a "pronunciamento" against the King in order to force him to carry out a *coup d'état* against Parliament. They camouflaged their "pronunciamento" as a popular "revolution." The King found himself caught between a civil government represented by an incompetent Prime Minister and a military uprising masked as a popular insurrection. He was forced to choose between giving in to the "advice"—the masked "pronunciamento" of the military clique—or abdicating in favor of his cousin. He yielded to the pressure and disarmed the civil government by depriving it of its indispensable means of legal repression.

So Israel Zangwill was right in regarding the "march on Rome" as a comic opera when the Fascists wanted him to believe it a genuine revolution. He would have regarded it as a serious matter had he realized that he was witnessing a military "pronunciamento" directed against the civil government. The pretended popular "revolution" was only the civic mask hiding the abolition of parliamentary institutions in Italy.

# Power as a Campaign Issue

*By* ERNEST GRUENING

[After a varied career in journalism, Dr. Gruening in 1927 became editor of the *Portland Evening News* (Portland, Me.). In his recent book, *The Public Pays*, he sets forth his views on the social aspects of the power question.]

UNQUESTIONABLY power stands out as the issue above all others that distinguishes parties and candidates in the 1932 Presidential campaign. Particularly is this so since President Hoover's acceptance address has brought him measurably closer to the Democrats' outright repeal stand on prohibition.

Generally speaking, the position of the President and the Republicans is to "stand pat" on the power question; Governor Roosevelt and the Democrats occupy a "progressive" position in demanding considerable reform; while the Socialists, headed by Norman Thomas, urge public ownership of natural resources and basic industries, including, of course, ownership of the utilities that supply the American people with electric current.

That there is a power issue this year may fairly be ascribed to Governor Roosevelt's leadership of the Democratic party. Regular Republicans have never raised the question as one of moment to the welfare of the American people. What allusion has been made either in party platform or by the President has been casual, slight or negative, the assumption being that all was well, which is the position maintained by the spokesmen of the power industry. That likewise was precisely the pre-convention position of other Democratic candidates, notably Governor Albert C. Ritchie of Maryland. It was Governor Roosevelt's nomination, therefore, in view of his power record as Chief Executive of New York, that has placed this issue in the forefront and provided the opportunity to register a clean-cut choice in the Presidential election.

How vital the power question appears to some of our ablest public men may be gleaned from the following statement by Congressional leaders of both major parties:

> We regard the power question in its economic, financial, industrial and social aspects as one of the most important issues before the American people in this campaign of 1932.
>
> Its political significance cannot be overestimated and must challenge the attention of those interested in any progressive movement or measure. The reason is plain. The combined utility and banking interests, headed by the Power Trust, have the most powerful and widely organized political machine ever known in our history. This machine cooperates with other reactionary economic, industrial and financial groups. It is strenuously working to control the nomination of candidates for the Presidency and the Congress of both dominant political parties.

This declaration was signed by fifteen United States Senators, twenty-two United States Representatives, by judges and others prominent in public affairs. The Republican Senators include George W. Norris and Robert B. Howell of Nebraska, Bronson Cutting of New Mexico, Hiram Johnson of California, Lynn J. Frazier and Gerald P. Nye of North Dakota, while among the Democratic Senators are Thomas J. Walsh and Burton K. Wheeler of Montana, Clarence C. Dill of Washington, Edward P. Costigan of Colorado, Kenneth McKellar of Tennessee and Thomas P. Gore of Oklahoma. Here, in brief, the power issue is presented far more vividly

than in the major party platforms.

The Republican platform, under "Public Utilities," reads:

> Supervision, regulation and control of interstate public utilities in the interest of the public is an established policy of the Republican party, to the credit of which stands the creation of the Interstate Commerce Commission, with its authority to assure reasonable transportation rates, sound railway finance and adequate service.
>
> As proof of the progress made by the Republican party in government control of public utilities, we cite the reorganization under this administration of the Federal Power Commission, with authority to administer the Federal water-power act. We urge legislation to regulate the charges for electric current when transmitted across State lines.

The tenth plank of the Democratic platform reads:

> Protection of the investing public by requiring to be filed with the government, and carried in advertisements, of all offerings of foreign and domestic stocks and bonds, true information as to bonuses, commissions, principal invested and interest of sellers. Regulation to the full extent of Federal power of (a) Holding companies which sell securities in interstate commerce; (b) Rates of utility companies operating across State lines; (c) Exchanges trading in securities and commodities.

It will be observed that while both planks are slight, the Republican connotes a satisfactory, the Democratic an unsatisfactory state of affairs. The Republican plank says nothing about holding companies or protection of the investing public. Both speak of control of rates of electricity sent across State lines, the Republican platform urging "legislation to authorize" the Federal Power Commission "to regulate the charges for electric current when transmitted across State lines," the Democratic advocating "regulation to the full extent of Federal power." It is fair to note that, though the Republicans have been in power with control of both houses of Congress for eleven years, they have not regulated interstate electricity in accordance with their present plank. But, as already indicated, neither plank goes very far.

Those engaged in the private business of manufacturing, distributing and selling electric current for light and power contend that the business is admirably run, that service is excellent, that rates to the consumer have been steadily reduced, and that the industry's securities are second to none in safety. In the frequently uttered phrase of Martin J. Insull, one of the leading utility spokesmen, "the American public utility industry is the envy of the whole world." It is the industry's further contention that it is adequately regulated by existing State commissions. Criticism that rates are excessive and regulation ineffective are met by utility spokesmen with denials and the countercharge that those who make them are variously "politicians," "agitators," "demagogues," "pinks" or "reds." Indeed, the formula suggested to one of the nation's leading utility magnates by his public relations counsel, "not to try reason or logic * * * but to pin the Bolshevist idea" on an opponent, has been widely followed. The industry is likewise unqualifiedly opposed to any form of public utility operation, Federal, State or municipal, it being part of its established policy to combat existing municipal plants.

On the other hand, critics of the privately owned utilities, which are centralized in approximately ten great holding company systems, produce abundant evidence that regulation by State utilities commissions has on the whole proved ineffective to protect either the consumer in securing moderate rates or in safeguarding the investor.

The government's own agency, the Federal Trade Commission, has, in the course of several thorough inquiries conducted for five years, uncovered a variety of far-reaching abuses. Perhaps the most startling was the discovery of a nation-wide propaganda campaign, admittedly the largest peace-time effort to shape public opinion in the nation's history. This

campaign to disseminate the standpoint of the private utilities systematically invaded colleges, schools, public forums, clubs, the press, the motion pictures and the radio. The most objectionable aspect of the propaganda was that it did not appear as a frank and open presentation of an industry's case, but was almost invariably disguised as disinterested and unbiased. Another objection was that its vast cost was charged directly to the light and power consumer. The public paid for it.

Among the abuses that have been uncovered by the Federal Trade Commission is the almost universal practice of arbitrarily "writing up" the valuations of utility properties in order to enlarge the rate base, a device which corresponds in purpose to the "stock watering" of an earlier day. The consumer, of course, pays, indefinitely, a higher rate to permit the "fair return," be it 6, 8 or 10 per cent, on this fictitious capitalization. Characteristic stock and securities "write-ups" brought to light by the Federal Trade Commission have been those of the American Gas and Electric Company, $88,492,000; the American Power and Light Company, $74,000,000, and the Electric Power and Light Company, $70,103,600; while the proportion of increase after the purchase and "reorganization" of various light and power properties is illustrated by these examples:

| | Original Cost | "Value" After "Write-up" |
|---|---|---|
| Electric Power and Light, Mississippi .... | $9,726,966.00 | $20,441,510.00 |
| Buffalo, Niagara and Eastern ... | 54,878,574.00 | 107,836,022.00 |
| Electric Power and Light, Louisiana ..... | 9,190,757.00 | 19,076,594.00 |

From the companies already investigated it may conservatively be assumed that the total utility inflation of this character is not less than $2,000,000,000. At 8 per cent this type of padding alone would levy an annual charge of $160,000,000 on the nation's light and power consumers. Regulation has thus far failed to cope with this abuse. Once the securities thus diluted have been issued and sold to the public to the detriment of the consumer, the "water" is, so to speak, over the dam.

Fearful that rates may prove "confiscatory" and zealous for property rights, the courts have gradually injected themselves into the rate-making function under a steadily growing interpretation of the due process clause of the Fourteenth Amendment to the Constitution. While the legal status of rate-making, with its attendant theory and practice of valuation, is still largely in a flux, the utilities have, in many cases in which local commissions have sought to halt excessive valuation and rates, managed to evade regulation by protracted litigation, the cost of which, win or lose, is borne by the consumer.

Another development against which a warning was sounded five years ago by the noted economist, Professor William Z. Ripley of Harvard, in his book, *Main Street and Wall Street,* is the pyramiding of holding companies on operating companies. The process, which has progressed to the superimposition of as many as seven tiers, serves the speculative objectives of a small group of "insiders," both as a means of accumulating fortunes in short order, and to control vast amounts of other people's money with a small investment of their own. Of the typical cases brought to light by the Federal Trade Commission may be cited that in which H. M. Byllesby & Co., "with an investment of less than $1,000,000, is able to exercise the voting control over more than $370,000,000 of operating capital," and in which "an investment of less than $13,000,000 becomes the residuary beneficiary of the income produced by that large investment."

What Professor Ripley predicted in 1927 might come at the first financial

squall has already happened to the Tri-Utilities system, and more recently to the great Middle West Utilities, ramifying into thirty-one States, whose top-heavy financial structure has collapsed, leaving a saddened and impoverished host of "widows and orphans" and "customer owners." Regulation failed utterly to protect them.

The Insull collapse bears further on utility activities in politics for the purpose of evading regulation. Five years ago a Senate inquiry disclosed that Samuel Insull had contributed to both Republican and Democratic candidates seeking a United States Senate seat from Illinois the greater part of their total campaign funds. Colonel Frank L. Smith, the Republican candidate, happened at the same time to be Chairman of the Illinois Commerce Commission, the body charged with regulating the Insull and other utilities in the State. A less intimate relationship and more vigorous regulation might conceivably have obviated the receiverships which have now descended on various Insull units.

This case, while perhaps extreme in its crudity, bears the earmarks of practices that are not without plentiful analogies in the close relationship of power interests and political machines. In Connecticut the Republican National Committeeman and State leader is likewise president of the Connecticut Light and Power Company and half a dozen other utilities. In Nebraska, in 1930, the utilities worked hand in glove with the Republican organization in the effort to defeat Senator Norris for re-election.

One final obstacle to regulation requiring mention is the "holding company." Technically, this is not a utility and therefore not subject to the State Utilities Commission. Moreover, it is usually in a different State from those in which most of its operating or other holding companies are located. The mushroom growth of the holding company device has led to a fantastic complexity of intercorporate relationships. The Associated Gas and Electric Company had in 1931 eighteen separate classes of bonds or debentures and ten separate classes of stock, preferred and common, in addition to stock purchase rights and interest-bearing allotment certificates. So intricate is this system, composed of several hundred corporations to hold, subhold, operate, manage company properties, trade in its securities, do its advertising and publicity, build its plants, and so forth, that the vice president of the company was obliged to confess on the witness stand that he could not remember in what companies he was a director or official and even the character of the business transacted by some of them.

These labyrinthine structures, power company officials have contended, serve the public in securing greater safety through diversification, greater ease in securing credit and in rendering expert engineering services at lower cost. This view, however, is not shared by experts not affiliated with the industry, who see in this system the possibility of concealing profits and adding to them by padded intercompany charges. Professor Bonbright and Mr. Gardner C. Means of Columbia University, in their recent scholarly volume, *The Holding Company,* point out also (as did likewise Professor Ripley) that these numerous companies serve to deprive investors of any voice in the disposition of the funds they have invested, and that, "in order to maintain working control of the great utility systems which they have created, public utility operators have resorted to every known device for disfranchising the great mass of investors."

The utility industry has vigorously maintained that these superimposed holding companies and excessive

capitalizations have no bearing on the rates charged consumers. Professor Ripley in 1927 shared that view (*Main Street and Wall Street,* page 324). Other experts writing within the year think otherwise (Bonbright & Means, *The Holding Company,* pages 164-167). Of great pertinence also is the contrast between the rates charged in Ontario under public ownership or in some of the numerous municipal plants, such as in Seattle, Tacoma, Los Angeles and hundreds of smaller towns in the United States, which indicates that rates, especially domestic rates, charged by the privately owned public utilities are far higher than they need be. "There are in Massachusetts today," wrote Professor Ripley in 1927, "perhaps sixty small municipal plants which are effectively serving their communities at rates quite reasonable by comparison with those made by the great centralized corporations" (*Main Street and Wall Street,* pages 288-289). Morris Llewellyn Cooke, perhaps the outstanding hydroelectric engineer in the country, has estimated that domestic rates in the United States are approximately 100 per cent too high.

The pros and cons of the two systems in the State of California, where public and private ownership in every variety exist side by side, have been dispassionately set forth by Frederick L. Bird and Frances M. Ryan in their book, *Public Ownership on Trial.* One of their conclusions is that California owes its relatively low rates to the considerable number of municipal plants. Another study, just completed after two years' investigation, is that of the public-utility section of the Commonwealth Club of California. Its conclusion was not merely that municipal plants charge far lower rates, but that, contrary to the assertion that the consumer pays the difference in higher taxes, the surplus has often been used to reduce local taxes. Finally, it is the conclusion of Stephen Raushenbush in his recently published book, *The Power Fight,* that the American public is paying "not less than a million dollars a day more than it should in electric rates."

Broadly speaking, persons more or less informed on the power issue divide into two camps—those who see the problem chiefly from the standpoint of the public and those who approach it rather from the side of the industry. Governor Roosevelt's supporters declare that he is fully aware of the social aspects of the widest possible distribution of power at the lowest price, and apparently there is among them more enthusiasm over his stand on the power question than over any other part of his public record. It is that which has drawn to his standard certain Republican insurgents, and led the more progressive Democratic Senators, such as Wheeler and Dill, to support him vigorously in the preconvention campaign.

Speaking of the prospective development of the St. Lawrence, for which he has striven, Governor Roosevelt declared in an address at Binghamton two years ago:

> If it is done, in our State as in Ontario at the present time, we shall have, I am confident, much cheaper electricity in the home. This means the release of women from the drudgery of housework. They will have the benefit of electric lights, refrigeration, ranges, radios, dishwashers, clothes washers and all other household appliances run by electricity.
>
> Let me mention that the household cost here for the average family in Binghamton for 35 kilowatt hours is $3 per month; that a woman in Ontario can have a complete electric kitchen for $3.40 a month, whereas, here in Binghamton, that same electrified kitchen would cost $11.15 a month.

One of Governor Roosevelt's most important official acts has been to appoint the commission known as the New York Power Authority to supervise the St. Lawrence project. Its members are all citizens not only technically equipped but conspicuous for their interest in the public welfare—Frank P. Walsh, lawyer; Fred Free-

stone, Master of the State Grange and long an advocate of rural electrification; Delos M. Cosgrove of Watertown, president of the Jefferson County Bar Association, who was largely instrumental in the establishment of the Watertown municipal plant; James C. Bonbright, Professor of Finance at Columbia University, and Morris Llewellyn Cooke, hydroelectric engineer. The editorial comment of one New York newspaper on these appointees was that none was "Power Trust minded or Power Trust owned."

A lawyer by profession, Governor Roosevelt has spoken out against the interference of the courts in rate making, and the indications are that, if he were elected President, he would try to secure legislation abrogating the courts' usurpation of legislative functions. He has repeatedly urged Federal control of holding companies operating across State lines. He has backed bills for "power districts," permitting municipalities to buy wholesale cheap electric power to be developed. He has made plain his conviction that regulatory commissions are not merely "quasi-judicial" bodies acting as neutral arbiters between the power companies and the consumers but administrative agencies intended to promote and defend the public's interests and rights. He has repeatedly pointed to the inadequacy of regulation and to the perils inherent in the uncontrolled activities of the utilities.

On the other hand, President Hoover's references to the power issue have been few and far between. Nor have they indicated any belief that reforms were needed in the industry for the protection of either consumers or investors or to render power more widely available. In his speech accepting the renomination his sole reference was:

> I have repeatedly recommended the Federal regulation of interstate power. I shall persist in that. I have opposed the Federal Government undertaking the operation of the power business. I shall continue that opposition.

That President Hoover is a somewhat recent convert to Federal regulation of interstate power would appear from the address in Washington on Oct. 14, 1925, when he was Secretary of Commerce, before the thirty-seventh annual convention of railroad and utility commissioners. The address was entitled "Why the Public Interest Requires State Rather Than Federal Regulation of Electric Public Utilities," and was reprinted and distributed by the National Electric Light Association. In this he set forth four arguments for Federal regulation, analyzed and rejected each in turn. The second of these dealt with the power transmitted across State lines:

> Power has no such interstate implication as transportation. * * * Furthermore, there has been outrageous exaggeration of the probable extent of interstate power. * * * At the present time less than 4 per cent of the power developed passes State lines.

Mr. Hoover then argued forcibly that a State commission in the State where power was generated could fix the rates in a neighboring State, concluding:

> It is difficult to conceive a situation which, so far as public interest goes, could not be controlled in this simple and effective manner. It needs no new machinery * * * requiring sanction by Congress. If, in the passage of time and the accumulation of experience, the unexpected, either economic or legal, should happen * * * it will be time enough to talk of Federal control. No such condition exists today or is apparent in the future.

President Hoover's reference in his acceptance address to opposing the government undertaking of the power business was suggested chiefly by Muscle Shoals, where the government during the war invested $150,000,000. It has been Senator Norris's contention for many years that as the public's money had already gone into this vast enterprise, it should not be turned over to private exploitation for profit, but should be utilized as a "yard-stick" for the production of low-cost power. A decade-long battle has been waged over this issue with

Senator Norris's bills steadily gaining Congressional support, but not yet sufficient to overcome repeated Presidential vetoes. Meanwhile the development on the Tennessee River is at a standstill.

The burden of the criticism of President Hoover's attitude and acts on power may be found in speeches in the Senate by insurgent Republicans and progressive Democrats. It is summarized in two reports issued by the non-partisan National Popular Government League. The first report before the 1928 campaign analyzed the power records of Mr. Hoover and Alfred E. Smith. Based on Mr. Hoover's eight-year record as Secretary of Commerce, in which his frequent addresses before utility organizations were broadcast in pamphlet form by their publicity departments, the league estimated that Mr. Hoover, if elected, would be wholly partial to these utilities and silent on their propaganda and financial methods.

The second report, issued in March, 1932, summarizing the power records of six Presidential possibilities, asserted that not only had the league's previous prediction been amply sustained, but that President Hoover had gone further and had sought to evade or destroy the Federal Power act. In substantiation are given his appointments to the Federal Power Commission and the immediate dismissal by his appointee of Solicitor Charles A. Russell and Chief Accountant William V. King, who had been active in blocking private utility claims for inflated capitalization. The Senate's unsuccessful fight to revoke its confirmation of President Hoover's appointee as chairman of the Federal Power Commission is a matter of record. But the outcry was loud enough to cause Mr. King's reinstatement.

Recent activity of the Federal Power Commission would tend to indicate, however, that either it is beginning to see a new light or that its critics may have been mistaken. These critics advance a third possibility—namely, that a political need is sensed to offset Governor Roosevelt's policies, and it is suggestive that the activity in question has taken place since the candidates were nominated. In July the commission released to the press an advance abstract of a voluminous report to be issued later sharply critical of holding companies. Later the same month the commission made public its decision in the case of the Mitchell Dam on the Coosa River to the effect that valuation must be based on the cost of properties. The ruling awarded the Alabama Power Company a value of $6,173,576 instead of its claimed valuation of $10,646,056. "Capitalizing intangibles," declared Chairman George Otis Smith in the text of his decision, "can only lead to trouble for the investors who may later buy 'securities' at transient or imaginary values."

Thus it will be seen that neither side of a controversy is either all white or all black. Nevertheless, there is in the power issue, as represented by President Hoover and the Republican party, on the one hand, and Governor Roosevelt and the Democratic party on the other, a greater divergence than on any other question. Reduced to simplest terms, President Hoover has never given any indication that he considered that a power issue existed at all, while Governor Roosevelt believes there is a vastly important struggle now being waged between the private and the public interest in which the public interest requires a protection which it has not hitherto received.

# Britain Charts a New Course

## I—The National Government's First Year

By FRANCIS W. HIRST

[The writer of the following survey of events in Great Britain during the first year in office of the National Government was editor of the London *Economist* from 1907 to 1916, and is author of a number of works on economic, political and historical subjects, including a life of Thomas Jefferson.]

ON Aug. 24, 1931, the following official statement was issued from 10 Downing Street: "The Prime Minister this afternoon tendered to the King the resignation of the Ministry, which was accepted by His Majesty, who entrusted Mr. Ramsay MacDonald with the task of forming a National Government on a comprehensive basis for the purpose of meeting the present financial emergency. Mr. Ramsay MacDonald accepted the commission, and is now in conference with Mr. Stanley Baldwin and Sir Herbert Samuel, who are cooperating with him in the constitution of such an administration."

To understand the situation and the important consequences which followed, we must remember that owing to the decline of trade and the rapid growth of unemployment, Mr. Snowden's budget estimates were rendered inaccurate. Expenditure was rising and revenue falling. The Labor party as a whole was bent upon increasing social expenditure, and was strongly adverse to any drastic forms of economy. An independent committee, called the May Committee, after the name of its chairman, had been appointed in February on the motion of Sir Donald Maclean, a Liberal member of Parliament, to report on the financial position, and to make recommendations. The political crisis which led to the fall of the second Labor Government, after two years in office, resulted from the report of the May Committee, published on July 31, the day of the adjournment of Parliament. The report reviewed the national expenditure. It estimated that the next budget would show a deficiency of no less than £120,000,000, which would have to be made good either by additional taxes or by economies or by both methods. To meet this impending deficit, the majority report proposed an immediate saving of £96,000,000, including reductions in public assistance to the unemployed amounting to £66,000,000.

Public opinion was profoundly stirred by these sensational disclosures; nor were the prospects of the government improved by the fact that the two Labor members of the May Committee disagreed with the economy proposals and held that the budget ought to be balanced by imposing additional taxation on holders of fixed incomes. Mr. MacDonald summoned an economy committee of the Cabinet, and discussed the situation with Mr. Baldwin and Sir Herbert Samuel.

All seemed to be going satisfactorily until, on Aug. 20, the Cabinet committee met the General Council of the Trades Union Congress and the Executive of the Labor party. The Prime Minister and Philip Snowden, who was Chancellor of the Exchequer,

found that they could not carry even the majority of their party Executive with them. The refusal of the council of the trade unions to agree to any reduction of the social services and of the unemployment benefit was decisive. Mr. MacDonald was deserted by most of his Cabinet colleagues, but with the support of the Conservative and Liberal parties he decided at the King's request to form a National Government to deal with the national emergency, and above all, to balance the budget. On Aug. 25 a small Cabinet of ten Ministers was formed, consisting of four Labor Ministers, four Conservatives and two Liberals.

Approval of the National Government was expressed at meetings of both the Conservative and Liberal parties on Aug. 28. On the same day the Labor party decided to oppose the government, and elected Arthur Henderson as its leader in place of Ramsay MacDonald. Great as were the personal influence and prestige of Mr. MacDonald and Mr. Snowden, it soon became obvious that they could hope to carry with them only a small number of their regular adherents. The whole power of the party machine was immediately turned against them, and the issue of national economy and retrenchment as against the policy of an increased and increasing social expenditure thus became the main political issue, and remained the predominant consideration in the minds of the people until after the general election.

Discredited by its extravagance, the Labor Government fell because, when the crisis came, it could not agree, even with the promised support of the other two parties, to take the steps necessary to retrieve the financial situation. Mr. Snowden's repeated warnings had been disregarded, and for the next few weeks his powerful advocacy of economy and biting criticisms of his old colleagues for running away and evading responsibility made him the outstanding political figure and the strongest support of the National Government.

The Prime Minister meanwhile issued assurances that the new government was not a coalition government, but a government of cooperation for the one purpose of dealing with a national financial emergency. "When that purpose is achieved," he declared, "the political parties will resume their respective positions."

As the new government had a sufficient majority in the House of Commons to carry all the measures necessary to meet the emergency and balance the budget, there was no obvious need for a general election, but on this subject there soon arose a sharp division of opinion in the Cabinet. The Conservatives desired it, because they could not carry a general protective tariff through the then existing Parliament, and hoped, with their superior organization and ample funds, to gain their grand objective by an early appeal to the country. The Liberals, on the other hand, being unprepared and ill-supplied with either candidates or money, were equally anxious to postpone the election, both for party reasons and because they feared that a Conservative victory would be fatal to free trade, just as a Labor victory would be fatal to public economy.

Parliament was summoned to meet for an emergency session on Sept. 8, 1931, and the new government found itself with a normal majority of about sixty over the Labor opposition. It promptly introduced and carried a national economy bill, calculated to save some £70,000,000 a year, and a second budget with additional taxation. Since the report of the May Committee, the outlook had darkened, and Mr. Snowden, who remained Chancellor of the Exchequer, now estimated that a further sum of £170,000,000 (almost equal to the whole pre-war budget) must be found to balance revenue and expenditure in the next financial year, 1932-3.

A large part of the prospective

deficit — some £70,000,000 — resulted from the Cabinet's determination to stop all borrowing for the unemployment insurance fund and road fund, but this was met by reductions of expenditure. The Chancellor of the Exchequer also reduced the sinking fund. But so great was the prospective shortage of revenue that he still had to find by taxation over £40,000,000 to balance the 1931 budget, and over £81,000,000 to provide for the budget of 1932. This was achieved, without introducing any new protective duties, mainly by additions to the income tax and to the customs and excise on beer and tobacco. These drastic proposals were received with a mixture of stoical resignation and patriotic enthusiasm by the majority in Parliament and by the nation at large, which felt that strong measures were needed to support the public credit.

Although the fall in prices and the great reduction in the cost of living since 1925 more than justified the 10 per cent cut in unemployment benefit as well as in the salaries and wages of many thousands of public servants, Labor leaders calculated that these economies would exasperate millions of poor people, and possibly enable the party to win the election. Accordingly, they voted against the second reading of the national economy bill on Sept. 14, and against the second reading of the budget on Sept. 23. Their campaign in the country was conducted on the same lines; and on the eve of the general election the Labor leaders announced that if they were returned to power they would restore all the cuts in unemployment benefit and wages as soon as possible.

Nor has their attitude changed in the new Parliament. On June 23, 1932, Mr. Lansbury, speaking for the Opposition, as leader of the Parliamentary Labor party, said: "We do not believe and we do not accept the doctrine that economy is a remedy for the present state of affairs." In fact, their remedy for bad trade and unemployment is not less expenditure and less taxation but more expenditure and more taxation, though the taxation they have in view would be imposed wholly on the rentier class.

Among the considerations advanced by Mr. MacDonald and other leading supporters of the National Government to justify sweeping retrenchments of national expenditure was the danger that the country might be driven off the gold standard, in which case they said the pound might easily lose half its value, and the position of the unemployed and government servants would then become much worse than if they had submitted to comparatively mild reductions of 10 per cent in their incomes. But this argument was shattered by events. The financial debacle in Austria and Germany and a rapid spread of bankruptcies and defaults in other countries had sent a shiver of nervous distrust all over the world; and the news that the British budget was unbalanced, along with the continuous drain of gold to New York and Paris, was shaking international confidence in even the Bank of England. Would its resources be adequate to its commitments and obligations? An affirmative answer to this question might have been expected after the formation of the National Government and the balancing of the budget. Large gold credits were then opened and placed at the disposal of the Bank of England by New York and Paris.

But suspicion was not wholly allayed. Exaggerated fears of the strength of Labor and other disturbing rumors induced more and more gold withdrawals from London until, on Sunday, Sept. 20, the government, on the advice of the Governor of the Bank of England, decided to suspend the bank charter act and abandon the gold standard. The gold standard amendment act was passed through all its stages and became law on the following day, Sept. 21. This unexpected blow caused general con-

sternation, and for a few days Britain reeled under the shock. But the consequences proved less dreadful than was anticipated, and the moderate rise in prices—never more than 10 per cent—soon began to operate to the advantage of British trade, acting as a stimulus on exports to gold standard countries and as a check on imports. In this way the unfavorable balance of trade, or rather of payments, began to be redressed, and before the end of the year a substantial reduction took place in unemployment.

Meanwhile, Mr. MacDonald yielded to the demands of his Conservative colleagues for a general election, and the polling took place on Oct. 27, 1931. By that time confidence had been restored and trade was improving. The Liberal party was heavily handicapped by lack of candidates and funds and by the secession of Mr. Lloyd George, who announced from his sick bed that he could not support the National Government, and advised free traders to vote Labor.

But as the program of the Labor party involved a return to extravagance, with still higher taxes, nationalization of banks, inflation and a system of quotas on imports and exports, which might prove worse than tariffs, Mr. Lloyd George's advice was generally disregarded, and in the greater number of constituencies where the Liberals had no candidates they either abstained from voting or voted for the Conservative nominee.

To understand the results it should be observed that the one-member constituency is not adapted to a three-party system. To remedy this, since the war proportional representation has been urged, but the Labor party always refused to support the change, and consequently it could not complain of the result. The Conservatives raised their strength in the House of Commons from 263 to 471; Labor fell from 264 to 52; the Liberals rose from 58 to 72, and Mr. MacDonald's Labor supporters, called National Labor, declined from 15 to 13. There was a great change-over of votes, but a still greater one in representatives, and the new Parliament is a caricature of electoral opinion. A Labor member represents 144,000 voters, a Liberal only 38,000 and a Conservative only 28,000.

Undoubtedly the main issues which decided the election were finance and economy. The majority voted against the Labor program because they believed that its acceptance would entail public bankruptcy. Although most of the Liberal candidates favored free trade and most of the Conservative candidates protection, this issue was comparatively in the background, because neither the Prime Minister nor the Conservative leaders asked for a mandate to impose a general protective tariff. Thus, on Oct. 20, Mr. Baldwin, describing the fundamental issue at Leeds, said: "It is not free trade; it is not protection"; and Neville Chamberlain, speaking at Dudley on the day before the poll, promised a careful and impartial examination of the fiscal question, and reassured Liberal voters by saying: "You have not got to decide tomorrow whether you are going to have a tariff or free trade." The Liberal leaders in their manifesto declared their opposition to protection, and Mr. Snowden insisted, in a broadcast on Oct. 17, that a Conservative majority would not justify "a radical departure from our established fiscal system."

But the huge majority of Conservatives in the House of Commons proved to be overwhelmingly protectionist, and the Prime Minister no doubt felt that he could not maintain his position unless he adapted himself to the new Parliamentary situation. He had, moreover, introduced into the Cabinet two distinguished Liberals—Sir John Simon as Foreign Secretary and Walter Runciman as President of the Board of Trade—who had already indicated their willingness to accept a tariff for revenue or a tariff to

check imports for the purpose of balancing trade. At the same time, on Mr. Snowden's acceptance of a peerage, Mr. MacDonald had transferred Neville Chamberlain, a convinced protectionist, to the Exchequer.

The new Parliament opened on Nov. 10, and on Nov. 16 Mr. Runciman announced a bill to restrict temporarily "abnormal importations" by means of high customs duties. His chief argument was that foreigners were trying to forestall tariffs by dumping their goods in advance, and were thus upsetting the balance of trade and endangering sterling. Under this act the Board of Trade promptly issued three orders between Nov. 25 and Dec. 11, imposing duties of 50 per cent on many classes of manufactured articles, such as pottery, glassware, cutlery, tools, typewriters, woolen, linen and jute manufactures and various other textile goods, hosiery and chemicals. Another act imposed temporary duties up to 100 per cent on early fruit, vegetables and other horticultural products, under orders drawn up by the Ministry of Agriculture. All these import taxes were highly protective and soon led to retaliation, chiefly by means of quotas on British coal and exchange restrictions by France and other countries.

Many free traders complained bitterly that these measures were hurried through without any such impartial examination as had been promised. Most economists, including Mr. J. M. Keynes, who had proposed a revenue tariff earlier in the year, opposed them as unnecessary now that the country was off the gold standard. But even among Liberals quite a number were impressed by the argument that these were only temporary measures designed to reduce imports in a time of emergency in order to support sterling and to prevent a depreciation of the paper pound, which had been fluctuating at levels considerably below gold parity.

But the next and by far the most important of the government's tariff measures, the import duties bill, aimed at a permanent reversal of the fiscal system of the country. It was admittedly protectionist, though it was also supported as a means of raising additional revenue for the purpose of relieving income taxpayers.

After prolonged discussion in the Cabinet it proved impossible to induce the four free-trade stalwarts—Snowden, Samuel, Sinclair and Maclean—to assent to the bill, and they consequently tendered their resignations to the Prime Minister. As this would have meant a very serious blow to the National Government, involving the withdrawal of the support of the Liberal party, Mr. MacDonald and Mr. Baldwin devised a novel constitutional expedient. They offered their dissentient colleagues, with the approval of the whole Cabinet, the right to speak and vote against the government's fiscal policy. This offer was accepted on Jan. 22, 1932, and the arrangement became known as the "agreement to differ." Though it offends against long tradition and the Cabinet practice of generations of British statesmen, it has worked much better than might have been expected, and free traders were on the whole well satisfied when their opposition to the new protection was expressed in powerful and uncompromising speeches by Viscount Snowden in the House of Lords and by Sir Herbert Samuel and Sir Archibald Sinclair on the government front bench in the House of Commons.

The import duties act imposed a general ad valorem duty of 10 per cent on all imports except wheat and meat, and a number of essential raw materials, not including timber, but including newsprint, in order, no doubt, to avoid the opposition of newspaper proprietors. A second and temporary exemption was given to Empire products; a third to goods

already dutiable, and a fourth to goods consigned to shipbuilding yards. Perhaps the most objectionable feature of the measure was the establishment of an advisory committee of three. This new authority was empowered to recommend additional duties, under Treasury orders, to be confirmed afterward by the House of Commons. The colonial exemptions were to terminate on Nov. 15, 1932. The act also contained reciprocal or retaliatory bargaining clauses, allowing duties to be lowered in favor of or raised against a foreign country.

During the debates the free list was enlarged. The second reading of the measure was carried on Feb. 16 by a majority of 453 to 75. About half the Liberal members supported the government, though the Executive of the National Liberal Federation declared its unqualified condemnation of the bill.

Meanwhile, the course of events abroad was not propitious. The Japanese were fighting against the Chinese in Manchuria and Shanghai. The Indian boycott, Kreuger's suicide and de Valera's repudiation of Irish debts to Britain, added to the general international chaos of tariffs, quotas and exchange restrictions, were all darkening the political and financial sky. Yet, even so, Neville Chamberlain's budget on April 19 brought bitter disappointment. In spite of the new revenue from customs he refused any concessions to income taxpayers, and, in face of loud Tory complaints, he maintained the beer duty as it had been fixed by Snowden.

Tested by trade and unemployment, the results of what has been described as the "great experiment" in protection have so far been unsatisfactory to those who have always held, since Joseph Chamberlain made his first tariff reform proposal in 1905, that protection would bring prosperity to British industries. Comparing the first half year of British overseas trade in 1932 with 1931 we find a reduction of about 14 per cent in imports, of 6 per cent in British exports and of 18 per cent in re-exports. When we turn to the statistics of unemployment we find that in 1931 the numbers of unemployed in Great Britain rose rapidly to a peak figure of 2,811,000 on Sept. 21, when the gold standard was abandoned, and declined to 2,509,000 on Dec. 21. On March 21, 1932, the total number of unemployed was 2,567,000, but thereafter the number rose month by month, until on July 25 it had reached again the high record of 2,811,000, which had been registered in the previous September.

The course of commodity prices has been surprising. At the end of June, 1931, the *Economist* index number stood at 87. After the gold standard was abandoned the number rose to 90 in December, 1931. But six months later, in June, it had fallen below 81, and was consequently more than six points lower than a year before, in spite of the depreciation of sterling. This result is, of course, due to the great fall in gold prices, which more than outweighed the fall in the par value of the pound from $4.86 to $3.60 on June 30, 1932. The fluctuations of the sterling and dollar exchange have been fairly wide, but their violence has recently been modified by the operation of a stabilization fund, instituted for that purpose by the government.

Not less important than the movements of sterling and of the foreign exchanges has been the alteration in the price of money. The London bank rate, after standing at 6 since Sept. 21, 1931, was reduced in February, 1932, to 5 per cent, and by successive reductions to the very low rate of 2 per cent at the end of June. The rapid lowering of the short loan and discount rates has been a feature of the present year. It is due partly to bad trade, partly to the absence of any

pressing demand for gold. The recent open-market rate of discount has been less than ¾ per cent, an extraordinarily low record. Happily, cheap money, though it has not stimulated trade, has helped to bring about a remarkable rise in gilt-edged securities. From 54, the lowest figure of the year, the old 2½ per cent Consols had risen by the end of June to 71, while the 4 per cent Funding Loan advanced from 83 to 107. These favorable circumstances were seized by the Chancellor of the Exchequer, and on June 30 he announced a gigantic scheme for converting £2,000,000,000 of War Loan from 5 to 3½ per cent. This operation, coinciding with the Lausanne agreement, which practically settled German reparations, was responsible for a general improvement on the London Stock Exchange and on the Continental bourses, and the great advance in British gilt-edged securities was immediately followed by a boom in Wall Street and a considerable rise in commodity markets. With these signs of improvement, our review of events may conclude with a hope of brighter prospects for world politics and world trade, which may be realized, if all goes well, at the forthcoming economic conference in London.

The results of the Ottawa Conference were not fully known when this survey was written. They will be judged by British business men by a simple test: Will they increase the volume of Britain's external trade, and will they be followed by good commercial treaties with other countries?

## II—Imperial Conference Results

*By* J. BARTLET BREBNER

THE Imperial Economic Conference, which concluded its labors at Ottawa on Aug. 21, might be summed up with reasonable accuracy by saying that the British delegation succeeded in preventing the Dominions from involving the empire as a whole in internationally dangerous policies. Perhaps the cool, rather grim, N. C. Havenga of South Africa should be added to the group of wise men, but in general the Dominion representatives, with one eye on their own electorates and the other on the unanimous disinclination to admit failure, were guilty of far too much futile bluffing and "demands" for impossible novelties in the way of helpful British economic policies.

To begin with, there was a certain amount of impracticality, of both British and Dominion origin, to be cleared out of the way. The most persistent demand, that for free trade within a tariff-protected empire, as proclaimed by Lord Beaverbrook and his busy acolyte, the unofficial British delegate, L. C. S. Amery, was quietly ignored, except for a tongue-in-the-cheek reference to it by Mr. Baldwin before he left England. It obviously had to be ignored by constituents of an empire who have never in recent generations been able to find anything like sufficient markets within the empire.

Similarly, it was early seen to be impossible to frame one comprehensive commercial agreement to embrace the whole empire. In the seventeenth and eighteenth centuries England maintained on paper, if she never operated in fact, a system under which, by embargoes, bounties and preferences, her rôle was to supply the bulk of the manufactured goods and that of the colonies was to provide raw materials. Thirteen of the

American Colonies revolted in 1775 against the effort to make that design a reality, without any effect on British policy until, by becoming a free-trade country between 1830 and 1850, Great Britain herself relinquished the scheme. But the idea was revived just before 1900, so that when Great Britain abandoned free trade last Winter, there were many who had come to believe that the seventeenth century design, with modifications, might serve present-day purposes very well. That hope was dashed at the Ottawa Conference when its supporters were brought up against the fact that all the Dominions (most notably Canada) were now industrialized to such a degree that they were themselves seeking what the Marxians call "colonial" markets for their manufactured goods.

The various proposals for an empire bank and currency and for bimetalism were consigned to the decent obscurity of a special committee. South Africa was resolutely on the gold standard, Canada was half on and half off, and the others were distinctly off. In Canadian funds, for instance, the South African pound (old parity $4.86) was worth $5.52 and the Australian, $3.27. Moreover, the British pound, to which, presumably, the other currencies would be linked, was unstable, and the Bank of England and the British Treasury were publicly buying gold and foreign exchange to be ready for some future resumption of the gold standard. All the Dominions wanted a stable sterling and Great Britain admitted its desirability, but domestic conditions of great weight made it impossible at the moment. Probably the most forceful argument against a single Empire currency was its inadequacy, in the light of the fact that Great Britain and the Dominions traded more with the outside world than with one another. Bimetalism, in which Canada and India were chiefly interested, was consigned to the limbo of academic argument. The raising of commodity prices, while desired by all parties, could be based only upon a consolidated monetary policy, dependent upon a close approach to absolutely stable exchange relations. Moreover, many of the commodities concerned were priced in gold rather than in sterling because they competed in world markets as well as being consumed in Great Britain. Consideration of their price level, therefore, had to be reserved for the world economic conference.

When these and some less important proposals had been disposed of, the conference set to work to make the best economic bargains that could be made bilaterally among the nine parties. Although Great Britain, Canada, Australia, New Zealand, South Africa, the Irish Free State and Newfoundland alone formally ranked as Dominions, India and Southern Rhodesia, who aspired to that status, were also represented, and bargaining among them in pairs went on throughout the conference.

Naturally enough, Great Britain was sought out first by each of the other parties. She represented a solid, dependable market immensely larger and richer than that of any other except India. In addition, that market, which had been free for almost a hundred years, had just been protected by tariffs whose operation against the Dominions was in suspense only until Nov. 15, 1932. On the whole, therefore, and in spite of the tariff war which had already begun between Great Britain and the Irish Free State, the British delegation was rather more in the position of receiving requests for favors than of asking them. It was true (and the other Dominions knew it) that the British Government had an urgent mandate from its electorate to make every effort toward greater imperial economic cooperation, and that Great Britain was in imperative need of markets, but events revealed that she had the

strongest position as well as the strongest delegation.

It was difficult not to sympathize with such Dominions as Canada, South Africa and Australia, even when their embarrassments goaded them on to patently extreme demands. Canada as a producer of raw materials was completely disillusioned with her natural market in the United States because of the ruthless way in which it had been progressively closed to her. The British market, once relatively abandoned, seemed a providential substitute, but it was felt that transportation costs and other circumstances made competition there with Scandinavia and the Soviet Union difficult if not impossible. The situation seemed to call for substantial preferences, but British preferences had to be met by a Canadian concession in regard to manufactured goods. Against that were marshaled all the lobbyists, not only of purely Canadian industries, but of American branch factories as well, and these groups were the most dependable contributors to political party funds. Mr. Bennett, the Canadian Prime Minister, therefore, spent his days in alternate appeals to British and Canadian imperial sentiment, with Russia as the bogy to frighten both. The British, who trade with Russia for the sake of a market for their manufactures and because their economic plight forces them to buy the best goods at the best price, were not as impressed as the Canadians, who, at Mr. Bennett's behest, maintain an embargo on Russian products.

The position of Australia (and of conciliatory New Zealand) was somewhat similar, with meat, wool, wheat and dairy products seeking a British market against Argentine and Scandinavian competition. South Africa felt the force of the same situation, but her retention of the gold standard made her position a complex and special one. Unlike Australia and New Zealand with their depreciated currencies, she profits on her debt payments to Great Britain, but again unlike Australia and New Zealand, South Africa's primary producers can sell wool and other farm products abroad only when the government pays a 20 per cent export subsidy. Domestic political considerations in South Africa made retention of the gold standard important to the nationalist policy of the party in power, with the result that Mr. Havenga used the stability of gold as a sort of platform from which he gravely condescended to consider Great Britain's economic plight.

Two or three times during the conference there was the threat of a united Dominion front against Great Britain's refusal to raise her tariffs and thus increase the preferences on Dominion natural products. Canada and Australia were both interested in wheat; Australia, New Zealand, South Africa, Canada and Southern Rhodesia had a common interest in meat and meat products; New Zealand, Canada and Australia had surpluses of dairy and poultry proucts. The hope which bound the Dominions in temporary alliances was in each case that thereby they might force the United Kingdom to discriminate in their favor against some such important rival as Argentina for meat and wheat, or Denmark for dairy and poultry products.

The British delegation refused to be stampeded. New Zealand was anxious to be cooperative. Australia always had her maturing sterling loans in mind. South Africa, if realistic, was also reasonable. Gradually Canada was isolated and chose to use the appeal against Soviet Russia as her weapon. She felt, or anticipated feeling, the competition of Russian lumber and wood products, wheat, canned fish and non-ferrous metals. Against the prices set by a State-controlled export monopoly she clamored for an embargo, but when Great Britain, South Africa and the

Irish Free State insisted on continuing their commerce with Russia, Canada was left alone and finally defeated.

Great Britain had some requests of her own, which might be reduced to two—lower Dominion tariffs on certain manufactured goods and stable tariffs with changes in customs machinery. Neither case needed much argument. Preferences, that is, fractional exemptions, could mean little if tariffs were very high. Dominion industry, and in the case of Canada American branch factories, could always escape the competition of British goods if Dominion governments could be induced to set the rates high enough. The British delegation consistently asked for conditions of fair competition for its home industries, and the Dominions for a long time evaded the issue in every possible way. Some of them, notably Australia, South Africa and Canada, had customs machinery of an intricacy which made the rates seem quite capricious. It was not merely a question of a tariff rate, but of flexible schedules, primage duties, excises and anti-dumping duties as well. The British asked for simplicity and certainty, for an end to anti-dumping valuations of goods and sterling, for even competition with established Dominion industries and for free entry of British goods not manufactured in the respective Dominions. These requests were for more than the Dominions could grant.

It was freely predicted that the conference would disrupt rather than unite the empire, but such was not the outcome, for differences were open enough to make compromises possible and agreements were reached, the core of which was provided by Great Britain in the form of seven bilateral treaties with Canada, Australia, New Zealand, South Africa, Newfoundland, India and Southern Rhodesia, respectively.

These treaties were similar in form, but almost all reserved the publication of certain schedules of goods to avoid forestalling until the respective legislatures should have ratified them. In effect, Great Britain adhered to her low tariff policy, but exempted the natural products of the Dominions from its operation, thus giving them an approximate advantage of 10 per cent in her market. Only to this extent are their foreign rivals at a disadvantage. Great Britain thus positively affirmed her belief that the only way to protect her investments in such countries as Argentina and Russia is to continue to buy goods from them. In the case of India certain manufactured and semi-manufactured articles were given preferences as well.

In order to create these Dominion preferences Great Britain had to promise some new tariffs, notably on food, hitherto exempted in the sacred name of the "free breakfast table." Wheat was subjected to a duty of 3 pence (6 cents) a bushel; an agreement was made to regulate the importation of foreign meat by an unrevealed method, and tariffs were imposed on butter, cheese, fruit, eggs, condensed milk and honey. The restrictions on the entry of Canadian live cattle was to be practically removed. A tariff of 2 pence (4 cents) a pound was put on copper and the promise given to Canada that the tariff of 10 per cent ad valorem on foreign timber, fish, canned fish, asbestos, zinc and lead would not be reduced except by Canadian consent. Canada was also promised that her advantages would not be frustrated by competition from foreign State-controlled price-fixing and dumping. Great Britain was committed to wholesale protection as long as the agreements should last, but she lived up to the conception that the rates should be competitive instead of prohibitive.

In return the Dominions conceded real preferences to competitive British manufactured goods and free entry

to some non-competitive goods, but the particulars were not publicly specified. All the Dominions are in financial difficulties and dependent on tariffs for revenue, but even where their concessions were tentative they were skillfully worded to give Great Britain the moral right to fair competition. Canada, for instance, promised to set up a tariff commission and granted British manufacturers an equal right with Canadians to make representations before it. British coal, iron, steel, chemicals, glass, cutlery, china, textiles and shoes were to be given an advantage over non-British competitors and the beginnings of a fair chance against Dominion industries.

The treaties are to run for five years and thereafter, except on six months' notice from either party, but there are two highly significant provisos. At the end of three years Great Britain may investigate the results of free entry of Dominion foodstuffs in the light of the interests of British producers, and, if necessary, either impose a preferential duty or set up a quota system. In addition the duties (and preferences) on wheat, copper, zinc and lead may at any time be canceled if Dominion producers cannot provide them in sufficient quantity "at prices not exceeding the world prices."

The British scheme is thus highly ingenious, generally in accordance with British policy, and more generous than the Dominion responses could be. The British consumer, whether of food or of raw materials, and the British farmer are protected against exploitation by sheltered Dominion competitors. The Dominions receive a stable, large market for their natural products as long as they deserve it. In these days of high tariffs no foreign nation can complain of a 10 per cent British tariff. No embargoes and no discrimination open to foreign protest have been resorted to. If the Dominion concessions are somewhat vague, they are at least based on clearly stated treaty rights.

One provision of the British treaties, which has its significance in the light of what was said earlier about the industrialized Dominions seeking "colonial" markets, attracted almost no outside comment, but seems likely to have increasing importance. Great Britain pledged itself to "invite the governments of the non-self-governing colonies and protectorates to accord to" the Dominion concerned "any preference which may for the time being be accorded to any other part of the British Empire," and further, to accord to each Dominion certain "new or additional preferences" on commodities and at rates contained in an unpublished schedule. This is a most striking example of the adaptability of what for want of a better term must still be called British "imperialism."

In addition to the British bilateral treaties Canada made new treaties with the Irish Free State, South Africa and Southern Rhodesia, set about revising her existing treaties with Australia and New Zealand and started negotiations for a treaty with India. South Africa was reported also to have made a treaty with the Irish Free State. These treaties fall in the "complementary" category, with preferences in various commodities and manufactured goods to the party which can develop and justify some branch of export complementary to the economy of the other. The Irish Free State, at economic war with the United Kingdom, would have been glad to make several such treaties. She granted Canada her lowest tariff rates and received in exchange the British rates for Canada.

From an international point of view Great Britain has kept her bargaining power. She found occasion to remind foreign countries that she is still interested in breaking down tariff barriers to trade. Even the difficulties of most-favored-nation treaties,

it was thought, might be circumvented in cases where Great Britain could discover a foreign country which possessed productive advantages which would give it a monopoly of some export to Great Britain, if allowed to do so.

It is impossible to estimate at all exactly the effects of the Ottawa agreements on the world in general. What was achieved seems to indicate that for 25 per cent of the world's population it is possible to check, even to push back, the world drift toward higher tariffs and national isolation. Trade is bound to be loosened up for Great Britain and the Dominions, and any added prosperity on their part must have broader repercussions, for they all trade extensively outside the empire. In so far as the Ottawa agreements create larger imperial markets at the expense of foreign countries, there will be a shift instead of an increase in international trade. Great Britain, for instance, hopes to supplant the United States in Canadian markets with such products as coal, iron and steel, chemicals and other commodities in amounts estimated at all the way from $50,000,000 to $250,000,000. Canada hopes to supplant two-thirds of the normal exports of the United States to South Africa. Scandinavia, Finland, Latvia and Russia are going to face real competition in the British market for timber. No one can predict the results.

One unexpected result of the conference was its concern with shipping in the Pacific. The United States has heavily subsidized its own mercantile marine there and given it an extraordinary advantage by ruling that San Francisco to Hawaii is coastal navigation and closed to foreigners, whereas the analogous New Zealand-Australia run is open to the world. This situation was formally described by the conference as "dumping of services," and an imperial committee is to meet in London to consider means to combat it.

Another serious problem which, though unsolved, is likely to continue to receive close attention is that of the percentage of empire content in goods which entitles them to receive preferences. Canada was closely associated with an effort to have this amount gradually raised from the present 25 or 50 per cent to a uniform 75 per cent. Great Britain asks for only 25 per cent and opposed the move from disinclination to disturb the United States, but the most effective reinforcement to the opposition seems to have come from the American branch factories in Canada, which baldly threatened to shut down.

The Irish Free State played almost no part in the conference, because of its tariff war with the United Kingdom. The Irish representatives showed great tact, which was well reciprocated. In fact, so many conversations and "card parties" included both the Irish and the British representatives that there was some reason for believing that a settlement of the dispute was being engineered. Mr. de Valera, however, yielded no indication that such was the case, in spite of the fact that neither at Ottawa nor elsewhere had he found a substitute for the British market.

Since many of the specific concessions are still unrevealed, it is possible to take almost any total view of the results of the conference, none of which can as yet be substantiated. Certainly it has provided numerous opportunities for future bickering among the constituents of the British Empire. Yet the very fact of their having resolutely grasped all the economic nettles that were in sight has a healthy atmosphere about it in our world-wide miasma of timorous but stubborn economic nationalisms.

# Hope for the American Theatre

*By* ALEXANDER BAKSHY

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THE theatre in America is manifestly in a state of profound disturbance. Not only is it suffering from the financial straits brought about by the economic crisis, but its very foundations have in places given way and threaten to collapse with the entire elaborate structure which they have supported for the past thirty years.

At least, unless the wish is father to the thought, such is the situation as it appears to one who is unable to shed any tears over the plight in which Broadway finds itself, but rather regards it as the most promising thing that has as yet happened to the drama in America. There can be no doubt, indeed, that there is everything to be gained from the disintegration of the interests, and particularly of the big business interests, that have been holding the drama in their grip. In spite of an occasional production like *Street Scene, The Green Pastures, Chicago* or *Of Thee I Sing* thrusting its way to the Broadway footlights, the purveyors of stage attractions have done their utmost to bring the dramatic art of the country to a condition which makes of it merely an article of commerce, manufactured by methods of mass production, and palmed off on the consumers with as little regard for the finer artistic values as they can be made to endure.

It would be absurd, of course, to fasten the responsibility for this state of things on the individual producer. He is obviously helpless to alter it, faced as he is with a system that has taken root not only among those professionally engaged in what is called the show business but among the general public as well. Yet the system itself stands condemned, and whether it breaks down completely under the stress of the economic crisis or manages to withstand it, its present weakness has already brought into play a number of forces which may gradually replace the old structure by one more consciously in accord with the spirit of a vital and creative drama.

It is not to be thought that the economic crisis is the sole cause of the present condition of the American theatre. For many years there had been processes at work which had been slowly changing the character and scope of the show business and its relative position in the life of the country.

One of the first and most important of these processes has been the rapid growth of the movies, which brought dramatic entertainment of a kind to a vast multitude of people who had never before been reached by the theatre proper. Even at the height of the theatre's popularity, let us say some twenty years ago, its 2,000 houses throughout the United States were able to draw an average weekly attendance that, at a liberal estimate, could not possibly exceed 10,000,000 persons. Contrasted with this, we have the weekly attendance at the movies which, in 1922, averaged 50,000,000 persons, and in 1930 reached the figure of 110,000,000 persons, served in the latter year by more than 20,000 movie theatres.

An audience of these proportions,

largely half educated, with a limited experience of life and the world, and eager for an emotional escape from uneventful existence, presented a phenomenon new in the history of dramatic entertainment. The ease with which this audience could be pleased, either because of its ignorance of better entertainment or because it considered the entertainment it received as fair value for the small amount of money it could afford to spend, resulted in a meretricious art which, in its turn, debased public taste. Worse still, this shoddy art imposed itself even on those sections of the public which originally were the mainstay of the acted drama of the stage.

Unquestionably, in the struggle between the movies and the theatre the advantages of superior resources and public support were, until recently, preponderantly on the side of the movies. Nevertheless, the disastrous defeat suffered by the theatre, a defeat which left it with New York and a few of the larger cities as the only field for its operations, was the result largely of its own efforts. For a number of years all its activities outside the metropolitan centres, and to a considerable extent in those centres, had been controlled and directed by two powerful organizations controlling two rival chains of playhouses throughout the country and interested in those houses primarily as booking agents and owners of real estate.

Perhaps it is natural for the economic system under which we live that commercial enterprise in the art of the theatre, as in any other field of commercial activity, should eventually concentrate in the hands of a few powerful trusts. From the purely commercial point of view, such a development has obvious advantages and undoubtedly leads to greater commercial efficiency as well as greater profits. Unfortunately, or perhaps fortunately, art and commerce can tolerate one another only in small doses. The more commerce is mixed with art, the less art is left in the mixture. The activities of the two theatrical syndicates only confirmed this well-known fact. To the syndicates themselves, however, it did not seem so obvious. Nor had they time to think of such trivial matters as art. The important thing with them was to fight one another for the command of "the road"; and as for the quality of the shows they were sending out, it did not really matter how bad it was, so long as the theatres under their control were obliged to accept their choice of attractions and were able to send back handsome profits.

But this happy state of things did not last very long. Up to about 1910 the American public outside the larger cities was well content to accept the traveling shows that came to entertain it, carrying aloft the proud slogan, "Direct From Broadway." The road flourished. As many as 300 companies and frequently more played in various parts of the country at the same time, and more money was made for the producers by these touring companies than was made in New York by the original productions. Then there came a change. From year to year the number of road companies began to decline. Finally there came a time, ushered in by the depression of the last three years, when only the most successful productions on Broadway could muster enough courage to betake themselves to the road. Added to this was the decline of the stock companies, which, from 163 at the peak of the season in 1928, dropped to 63 in the current year. Thus the disappearance of the professional theatre from the hinterland of the country has become very nearly complete.

Excuses are easy to find. Broadway will point to the high cost of production as the reason for the deterioration of the road shows; to the competition of the movies, the automobile, the radio and various other forms of popular diversion as the cause of the

decline in the public support of the theatre. To be sure, there is some truth in each of these reasons, but only a part of the truth. The cost of producing plays has risen to a prohibitive level, but it is Broadway, with its fevered atmosphere of reckless gambling, that has been chiefly responsible for this fact. The competition of the movies and of other forms of entertainment has grown formidably, but it is Broadway again that has played into the hands of its rivals by sending out inferior companies in trashy plays and thus forcing the public to turn its back upon the stage. Having already lost so much ground to its competitors (and the loss includes the very theatres that used to house it), the acted drama naturally finds itself at a greater disadvantage than ever.

Yet, even today, under conditions of widespread financial stringency, it has been repeatedly proved (by the road companies of the Theatre Guild and of a few other producers) that there is still a vast public in the country keenly interested in the theatre and ready to support it. But this public demands a live theatre, plays and acting of conspicuous merit, and Broadway, being what it is, is clearly unable to meet these requirements.

What has been happening meantime on Broadway itself, the dazzling Broadway whose very name was wont to make the heart of the old theatregoer throb? One finds in the first place that it is no longer so dazzling, for during the past two or three seasons quite a third of its sixty or more theatres have been "dark." Too many theatres, we are told, have been built in New York, and there is not a large enough theatregoing public to support them all. Nevertheless, it can be most emphatically stated that there are plenty of people in New York who would be only too glad to do justice to theatrical fare, provided they could get it at a reasonable price and feel more confident than they usually are that it would be tasty and wholesome.

But banish the idle thought. The wiseacres of Broadway insist that nothing can be done about it. They know that "show business" is an expensive game, that theatre rentals are high, that actors' salaries are high, that stagehands' wages are high, that the cost of scenery is high, and that almost everything else is high. The wiseacres even know that this state of affairs is due chiefly to theatres, actors, stagehands, and so forth, being used or employed on the average only about one-half of their working capacity; in other words, that the high cost of most things deriving their value entirely from the show business is a form of insurance against the inevitable unemployment of both capital and labor.

How is this unemployment to be eliminated when the show business is a gamble in which the prize is a long run, and without "hits" there are no long runs, and without "flops" no "hits"? Accordingly, Broadway is not worried about its permanent unemployment. It is more seriously upset about not having as much money to gamble with in 1932 as it had, for instance, in 1928. In the latter year it was able to have a fling at 201 new productions scoring 167 failures and 34 successes, whereas in the season just past it had to be content with only 157 new productions yielding 134 failures and 23 successes. Broadway's ability to pick successes is not up to the level of even Hollywood.

The trouble seems to be that Broadway shows too decided a preference for what it calls the "popular" or "box-office" play as against what it caustically dubs as "highbrow." Yet it has been conclusively demonstrated that the popular appeal of so-called highbrow plays is vastly superior to that of the plays of the other kind. Here is, for instance, the evidence which has been garnered from the records of the 1929-30 season by Hiram Motherwell, editor of the *Theatre Guild Magazine*. Out of the 169

new productions of that season, 134 were "popular" and 35 "highbrow" plays. While the "popular" plays supplied only 20 "hits" (counting as such productions with a 10-week run or $10,000 weekly gross takings), the "highbrow" productions, in spite of their numbering only one-fourth, accounted for 14 "hits," or nearly one in every two.

What better proof is needed that in its system of gambling, if it has any system at all, Broadway is disgracefully behind the times in allowing its ancient prejudice against the too conspicuous display of intelligence to stand in the way of its own interests? Indeed, it seems quite incapable of learning from experience. It goes on producing "popular" plays which stubbornly remain unpopular, while it turns a deaf ear or a blind eye (it must be both) to the work of serious and often well-known authors. The testimony on this point of Barrett H. Clark, who is one of the best informed men in the affairs of the American theatre, is conclusive. "I could enumerate the titles of fifty plays," he says, "the work not only of new and unknown writers but men who are famous throughout the country, that have not yet been acted on Broadway."

National drama in this country is the growth of the post-war era. It came into existence mainly through the efforts of young enthusiasts who fostered an art that had its roots in the experience and realities of life. Broadway scorned and ridiculed them, but the enthusiasts went on producing their plays in converted barns and workshops, until by the middle of last decade a new theatregoing public came into being under their influence, a public receptive to new ideas, intellectually alive, if somewhat blasé, and sufficiently large in numbers to make the production of a better type of play on Broadway possible and even profitable. Eugene O'Neill, George Kelly, Sidney Howard, Laurence Stallings, Maxwell Anderson, Elmer Rice, Philip Barry, S. N. Behrman and several others among the playwrights were able to achieve eminence only because of the response which their work found in the public they and other pioneers had helped to create. Yet in comparison with the total output of Broadway, the plays of these writers still held quite a subordinate place. Their admission to the commercial stage did not require the latter to abandon its standards or change its methods. The old system was still capable of serving those who operated it, and, on the whole, to their satisfaction.

Meantime, the influence of the new drama continued to spread. More plays of an original or unconventional character were written and produced, and increasing numbers of people joined the ranks of those who demanded drama suitable for the adult mind. The economic crisis of the past few years has given this process a new impetus. It has had the effect of shaking the public out of its composure, of weaning it from many of its fetishes and of forcing upon it a more critical view of its life and surroundings. It is sufficient to glance at the list of the more successful productions of this period to realize the wide-spread and profound change of attitude that has taken place among New York playgoers.

A greater number of plays that bore the stamp of close contact with the realities of life was witnessed during the past three seasons than ever before in the recent history of Broadway. Plays that concerned themselves with exploring the problems and perplexities of human experience, or called upon the audience to appreciate the more subtle nuances of dramatic art, were represented by such conspicuous successes as *The Green Pastures, Lysistrata, The Barretts of Wimpole Street, Mourning Becomes Electra* and *The House of Connelly*. In a sense, these plays may be

said to continue the school of dramatic thought that found its expression in the work of the playwrights who initiated the independent movement in American drama. It is a striking evidence of the direct influence of this group of writers that plays of this type should be popular successes on Broadway.

However, from the point of view of the future of American drama, greater significance attaches to another group of popular successes of this period. Some years earlier a band of young writers, bound together under the name of "The New Playwrights," had attempted to inject into the drama the bacillus of proletarian ideology. The attempt failed, because there were few proletarians to support it. In a different, no doubt bourgeois form, the same interest in matters sociological has now found its way to the Broadway stage in a number of popular successes. One may start the list with *Journey's End,* whose sociological inference was rather to be divined than implicit, and note the more explicit *Street Scene, The Criminal Code, Red Rust, The Last Mile, Five-Star Final, Precedent, Once in a Lifetime, Counsellor-at-Law, Face the Music,* and last, and most significant of all, *Of Thee I Sing.* A pronounced social reference and expressed criticism of social conditions do not necessarily imply an artistic superiority over the plays of the individualistic outlook, though, in passing, one may note that in its flowing counterpoint of action, music and setting, *Of Thee I Sing,* a fascinating and brilliantly clever play, presents the germ of a new and characteristically modern dramatic form.

The important fact about this group of plays, however, is not so much their artistic merit as the new trend in American drama they proclaim and the bearing this may have on the future of Broadway. The popularity of sociological drama, provided the general conditions of the country continue to stir public interest in social problems, is a portent of new developments in the American theatre. It represents a growth in the ranks of intellectually receptive theatregoers which extends them far beyond the comparatively small group of the so-called intelligentsia. The masses of the general public are now tasting of the fruit of critical knowledge and an experience derived from contact with real life. Having apparently found it quite to their liking, they are bound to ask for more of the same fare.

But it is one thing for Broadway to provide a few plays of genuine interest, and quite another to let such plays constitute a staple diet. A drama springing from earnest convictions has little chance of growing and flourishing in an atmosphere of frenzied gambling and of unprincipled readiness to sell anything that will bring in money. It seems therefore possible that the general public, failing to obtain what it seeks from commercial Broadway, will itself stimulate supply from a different source. Assured of its support, there will spring into existence many more organizations of the type of the Theatre Guild and the Civic Repertory, and when this happens Broadway, as we know it today, with its manufactured trivialities and cynical contempt for art, will be no more.

This roseate prospect will appear to some as far too remote to deserve consideration and to others as utterly improbable because inspired by obvious prejudice. And yet even today a new development, which has already assumed very striking proportions, is to be observed throughout the United States. In the amazing growth of "Little," "Community," "College" and "University" theatres there is unmistakable evidence of a new force rising to challenge the overlordship of Broadway. According to the information published by Kenneth Macgowan,

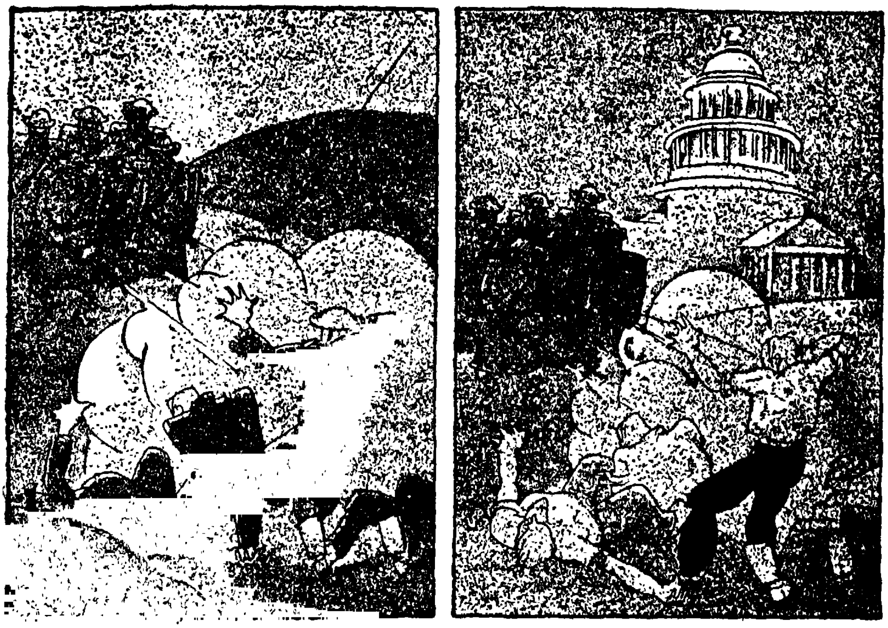
such non-commercial theatres are now to be found in as many as 200 cities and college towns. The scope of their activities is indicated by such facts as the employment of some 10,000 actors and the aggregate annual attendance of between 1,500,000 and 2,000,000 persons. Some of them can boast of playhouses that bear comparison with any on Broadway. Nor are these little theatres haphazard, amateurish enterprises constantly threatened with extinction for lack of capital or on account of inefficient organization. The Little Theatre in Pasadena, for example, has a budget of $150,000; that in Cleveland enjoys an income of $100,000; and there are many others equally strong in financial resources and business organization.

It is not to be denied that the majority of these theatres depend for their repertory on plays produced on Broadway, and are therefore derivative in their work. Nor can one overlook the conventionally respectable and conservative mentality of the class of people who, supplying the funds for these theatres, are often in control of their policies. But the spread and growing strength of the movement is giving it a tremendous momentum which is bound to carry it over the obstacles incident to the beginnings of all such cooperative enterprises.

Moreover, the great variety of aims, methods and organizations among these theatres, as well as the conditions under which they work, enable some to forge ahead and give the movement the leadership it requires. The more enterprising have indeed already in many instances proved that they lack neither the vision nor the courage to translate their ideals into reality. The formation of small circuits for the exchange of companies of actors is one such boldly conceived and ably executed venture. Another, which has been started on the initiative and with the assistance of Barrett H. Clark, promises to develop into a major factor in the progress of American drama. The scheme proposes a network of theatres which will provide special facilities for the production of new plays. The University Theatre at Iowa, for example, which only this Summer distinguished itself by an ambitious production of Paul Green's *Tread the Green Grass*, a play that failed to find a Broadway producer, has now engaged Lynn Riggs to be what might be called its court dramatist, during the next season. Such personal engagements, however, are rare. The general practice continues to be to supply plays for production, and it is characteristic of Broadway conditions, that among the playwrights who have agreed to offer their unproduced plays we find such names as Eugene O'Neill, Owen Davis, Sidney Howard, George Kelly, Paul Green, Lynn Riggs and Maxwell Anderson.

Thus we see the beginnings of the decentralization of the American theatre. A new and vast audience is growing away from Broadway influence. Authors are beginning to find opportunities to see their work tried on the stage whether it turns out to be a popular success or not. They are also placed in direct contact with their public so as to learn its reactions and the means of making their work more effective. In sum, the public and the dramatist are coming into their own. The day seems, indeed, not far distant when they will be able to dispense with Broadway altogether.

# Current History in Cartoons



1918 and 1932

—*Notenkraker,* Amsterdam



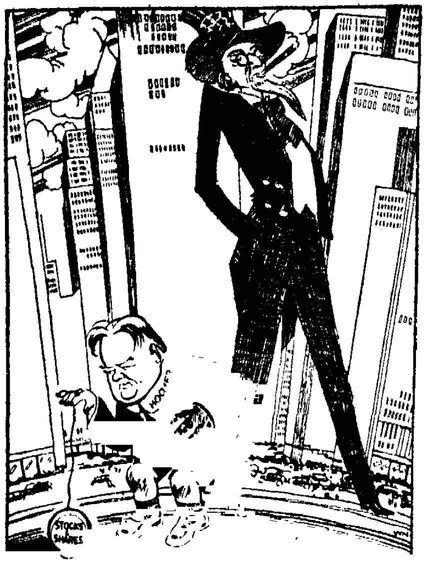

"Take me back to Wall Street"

—*St. Louis Star*



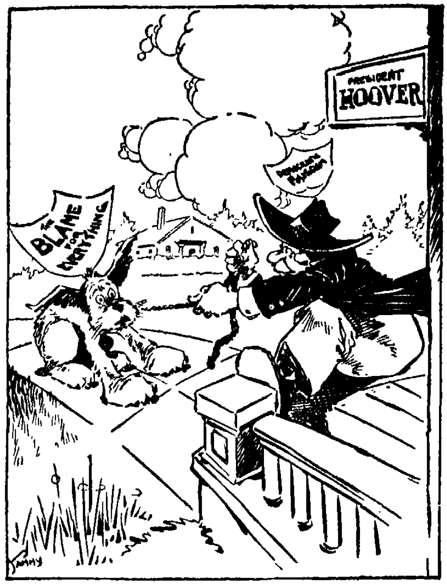

"Father, dear father, come home with me now"

—*Louisville Courier-Journal*




Uncle Sam—"What's the game, son?"
Little Herbert—"Can't you see I'm trying to get this durn thing to stay up the string till November?"

*—Glasgow Bulletin*




Not making out so well with it

*—Philadelphia Inquirer*



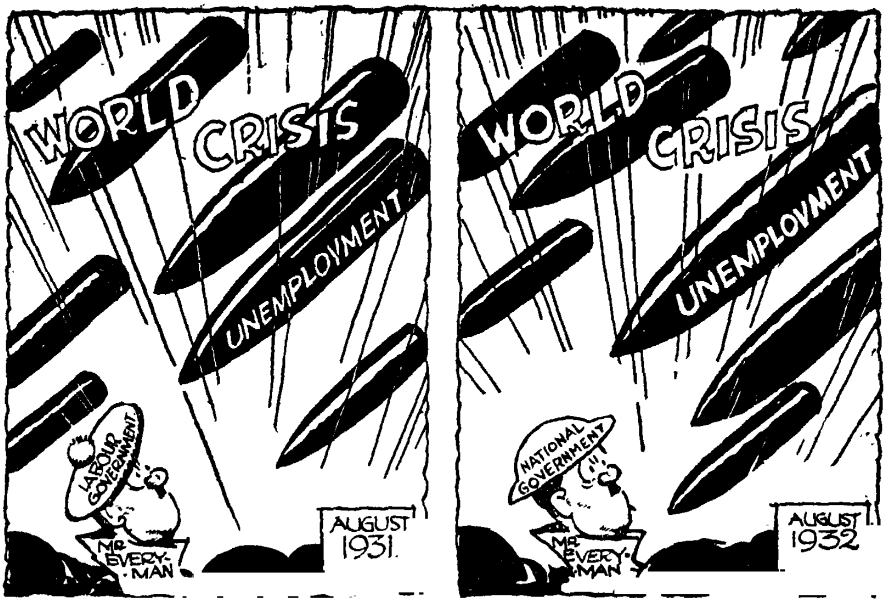

Some folks don't know what to do with it when they get it

*—New York Herald Tribune*

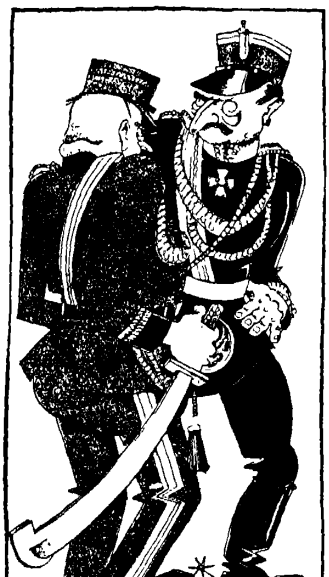



And was it thirsty!

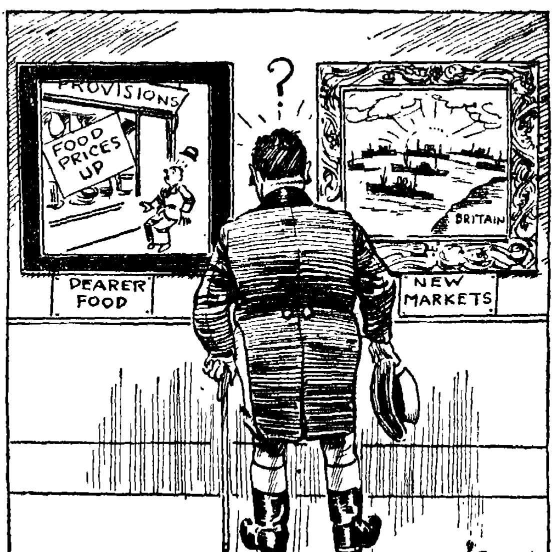
*—St. Louis Post-Dispatch*




Britain's national government institutes protection
—*Glasgow Evening Times*



Spanish Monarchists — "The fools think they can govern without us"
—*Notenkraker,* Amsterdam




Two views from Ottawa
—*Weekly Independent,* Dublin



THE RUSSO-POLISH NON-AGGRESSION PACT IS SIGNED
Both *(sotto voce)*—"Now I can turn around"
—*Kladderadatsch,* Berlin



Adjournment—the first unanimous vote of the Disarmament Conference
—*Nebelspalter,* Zurich



BROWN SHIRTS
"So you've joined Hitler's party?"
"Just to get a shirt"
—*Oeuvre,* Paris

# A Month's World History

## The German Move for Arms Equality

*By* JAMES THAYER GEROULD
*Princeton University; Current History Associate*

THE demand of the German Government for the revision of Part V of the Treaty of Versailles has brought the question of disarmament to the crossroads. Either the principle of "equality" is to be established, and Germany freed from some of the onerous restrictions of the treaty, or disarmament will become, for a good many years at least, an evanescent dream. Courteously but very firmly the von Papen Government has served notice on the powers that unless its demand for equality of status is met, the German representatives will withdraw from the Disarmament Conference. Without them the success of further deliberations is, to employ a much-abused word, unthinkable. Without the cooperation of all the great powers and their final agreement, any disarmament treaty that could be written would not be worth the paper on which it was spread. Will Germany be granted equality of status? Between now and Jan. 19, 1933, the date on which the conference is to reassemble, a decision must be reached.

Under the military, naval and air clauses of the Versailles treaty, an attempt was made to reduce to impotence what had hitherto been the greatest military power in Europe. In this the craftsmen of the treaty were measurably successful. While the Germans have doubtless been ingenious in availing themselves of every loophole by which their fighting strength can be increased, we can with safety disregard the fantastic reports of secret arming that have been used to facilitate the acceptance of the armament sections of successive French budgets. Had there been substance in these reports, quite certainly the French Government would have found a way to do something about it. The German Army was reduced by the treaty to seven divisions of infantry and three of cavalry, with a total of 100,000 effectives; the general staff was abolished; material was rigidly limited and certain types (armored cars, tanks, poison gas) were prohibited; compulsory military service was abolished and frontier fortresses were dismantled. The navy was reduced in number and tonnage of ships and in personnel. Armored vessels of over 10,000 tons and submarines were prohibited, and the number of officers and men fixed at 15,000, recruited by voluntary long-term enlistment. Military aircraft were forbidden.

President Wilson, who never lost an opportunity to carry the treaty beyond the period of passion in which it was written, secured from the cynical Clemenceau assent to the inclusion of a preamble to Part V which read: "In order to render possible the initiation of a general limitation of the armaments of all nations, Germany undertakes strictly to observe the military, naval and air clauses which follow." This implied promise was made more definite in the reply of the Allied and

Associated Powers to the German Peace Commission dated June 16, 1919, and in Article VIII of the Covenant. On these foundations all the negotiations for disarmament during the past decade have been built.

Since her admission to the League in 1926 Germany has steadily, and with constantly increasing force, maintained the position that the measures of disarmament imposed upon her were a pattern for the other nations. In and out of season and at the sessions of the Disarmament Conference she has insisted on equality of status, in principle at least, as a condition precedent to any disarmament convention, and has argued that the new treaty must supersede the provisions of the Treaty of Versailles. In this Germany has been supported by the representatives of Austria, Hungary and Bulgaria. Chancellor Bruening, at the opening of the Geneva session, declared that only measures "which strike at the very root of the problem of armaments can achieve the supreme purpose of the conference, which is to guarantee to all States their right to an equal degree of security." With these words he struck a telling blow at the contention of France that security against Germany can come only through a preponderance of armament. During the conference itself only the most perfunctory attention was paid to the German demand, and, as a consequence, Count Nadolny, the chief German delegate, voted against the adoption of the resolution of July 23 on the ground that it made no mention of Germany's demand for equality of status.

Disorganized as in most respects German opinion is, there is no doubt that the speech which General Kurt von Schleicher, the Minister of Defense and one of the most powerful figures in the Cabinet (see pages 20-24 of this magazine), delivered over the radio on July 26, expressed a belief and a determination that are shared by substantially the entire German nation. In this address he pointed out that while the French delegates at Geneva were asserting that they could agree to a further reduction of their armament only in exchange for a greater assurance of security, M. Lamoureux, the Rapporteur General of the budget, in defending the estimates for completing and maintaining the chain of fortresses on the French Eastern frontier, had stated emphatically that they are impregnable and afford France the fullest security against invasion. Nothing of the sort, said General von Schleicher, is permitted to Germany. The fact is that "no other European country possesses in so small degree the security for which, paradoxical as it seems, precisely the strongest military power in the world incessantly clamors." If the Disarmament Conference fails to provide for German security, he declared, the government will be compelled to act alone and to obtain it "by transforming, not expanding, her army. I do not want to leave the slightest doubt that we are going to choose this way if security and parity are denied to us in the future."

In an interview with Italian press representatives, von Schleicher was more specific:

"Germany demands in principle the same rights as other nations with regard to her army structure, its organization and division among different types of arms, its equipment with arms, the fortification of our frontiers and arms manufacture. A professional army with a long service period represents for Continental Europe the weakest and at the same time the costliest system. The German Army has no air forces, tanks, heavy artillery or anti-aircraft guns, and our navy has no submarines, airplane carriers, big cruisers, &c. Without these Germany cannot attain national security. If the German demands for equality are rejected, Germany will

withdraw from the Disarmament Conference, and it is obvious what this will mean for the existence of the League of Nations. Moreover, the German Government, if the disarmament pledges of the other partners to the treaties are broken, will be forced to reconstruct its security by national means, because it was impossible to do so by international means."

On the day following von Schleicher's speech, Chancellor von Papen, in an interview given to The United Press, made it quite clear that it expressed completely the settled determination of the government. During the month of August the German demands were discussed with the French Ambassador in Berlin, and on Aug. 29 the result of the conversations was incorporated in an aide-memoire and forwarded to Paris. In this document the Reich requested "confidential discussion between the two governments, in which the position of both governments would be outlined with complete sincerity," after which the results would be communicated to the other governments concerned, with the request that they participate in further discussion.

The German Government believes, the aide-memoire continues, that the resolution of July 23 is not consonant with the implications as to disarmament contained in the Versailles treaty, that it was not sufficiently radical in its terms, and that it failed to make clear whether the new treaty would apply to Germany equally with the other powers. There is nothing in the resolution which they would reject, provided that the whole has general application. "Germany has always demanded that other nations disarm to a level which, keeping the special situation of each country in mind, corresponds in character and extent to the armament status which has been imposed on Germany in the Treaty of Versailles." Germany has "the same right for national security as any other nation," and the convention to be framed should provide for "the realization of national security for all States, and it should apply to all equally, thus taking the place of Part V of the Versailles treaty."

While Germany cannot, the document continues, renounce her legal right to a "status of armaments corresponding to her need for national security" she is "willing to be satisfied, for the term of the first convention, with certain modifications of [her] status in armaments," because she believes that the succeeding convention will more definitely accord with her desires. She is willing to accept "any ban on arms that applies equally to all nations," but "categories of arms which are not generally banned" must, in principle, be permitted to her. She must have the right to develop them "within the frame of the general regulations, in a manner corresponding to the economic and social characteristics of the country," the right to reduce the period of active service of enlisted men, and the further right of "short-term training of a special compulsory service of militia." The German Government is willing to discuss any concrete suggestions made by the French "aiming at the consolidation of security for all States." In closing, the document expresses the hope that this outline will convince the French Government of the moderate character of the German aims, and that a decision in regard to them can be reached which will tend to calm the political situation and to re-establish European equilibrium.

Although the aide-memoire was, in its terms, confidential, inaccurate summaries of it appeared in the Paris press, and its content was immediately communicated to the chief powers. This action was strongly resented in Berlin, as it was claimed that there had been a previous agreement on the procedure outlined in the opening paragraph. After an emphatic denial

that the French résumés were a fair presentation of its contents, the German Government released the text for publication. The English translation, published in this country on Sept. 7, was so bad that its meaning is sometimes obscure, but its substance corresponds to the summary given above.

Although the nationalistic press in France denounced the document with its usual violence, it was received by the Herriot Government with complete calm. Official France seems disposed to view the situation realistically and to attempt to work out a compromise, provided that it can be brought about without abrogating the Versailles treaty and without an increase in German armament. As this is written, the subject is still under discussion by the French Cabinet and an early reply is expected. The situation is made more difficult politically because of the disorganization of German politics and the fact that the von Papen Government is acting without the control or the consent of the Reichstag. The Stahlhelm demonstration on Sept. 4, when over 100,000 veterans marched in the uniforms and under the banners of Imperial Germany, furnished a spectacle which was highly inflammatory to the French.

The Germans, in several public statements, have given the impression that they had received assurances of British support for their demands. While there is doubtless a certain amount of sympathy with them in official, as well as in non-official, circles, Prime Minister MacDonald felt it necessary to protest, in a communication addressed to Germany and to the other signatories of the consultative agreement, against the assumption that his government would give them its backing. It may, in fact, be taken as certain that, while British views may modify the French position, the two governments will act in concert. Italy, on the other hand, has indicated her agreement with the German claims. The position of our own State Department appears to be that, while we are not directly concerned with the Versailles treaty, we are strongly interested in everything that relates to disarmament. We recognize that it is impossible permanently to keep Germany in a position of inequality, but we strongly deprecate any action that would lead to the expansion of German armament.

While the situation is critical, it is by no means hopeless. The German Government has stated repeatedly that it does not intend to increase its armament, but rather to readjust it; and it is evidently prepared to accept temporary restrictions, during the life of the disarmament convention, provided that the principle of equality is accepted and that the restrictions are of such a character as not to be too galling to German pride.

*ECONOMIC PARLEYS*

Planning for the coming world economic conference in London is seriously hampered by the necessity, imposed by the United States, of excluding from the discussions war debts, reparations and tariff rates. The London *Times,* in a strongly worded editorial on Sept. 3, emphatically stated that, if these matters remain excluded, the conference "will be condemned in advance to failure." President Hoover has appointed Frederic M. Sackett, Ambassador to Germany, and Norman H. Davis as our representatives on the organizing committee, which is under the chairmanship of Sir John Simon.

Preliminary discussions relating to the subject matter of the conference furnished a reason for a second meeting of the representatives of Poland, Czechoslovakia, Hungary, Yugoslavia, Bulgaria, Rumania, Estonia and Latvia at Warsaw on Aug. 24, before the convocation at Stresa, Italy, on Sept. 5 of delegates from fifteen European countries. The resolutions of

the Warsaw conference in substance repeated those adopted at their meeting two years ago. They recommended the abolition of trade restrictions, the granting by creditor States of trade quotas large enough to permit the debtors to pay their debts with goods, the establishment of preferential tariffs and of international mortgage and international agrarian banks. The discussions at Stresa centred on preferential tariffs and the reduction of interest on foreign debts. It was admitted that little could be done without the cooperation of the United States, Argentina and Canada.

Although every authority agrees that tariff walls are blocking trade, they continue to rise higher and higher. The last revision is the German schedule which went into effect on Sept. 6. Evidently what is sauce for the goose is not sauce for the gander, for, while protests against our own rates are met by the statement that the tariff is a domestic matter, our Ambassadors in Paris, Berlin and other capitals officially register our own protests against new rates and quotas. The effort to negotiate a new commercial treaty with France (see page 99 of this magazine) is seriously hampered by the inability of our representatives to predict Congressional action and by our insistence on the inclusion of a most-favored-nation clause, a concession that France is unwilling to grant.

# The Franco-Polish Military Pact

SPECULATION was rife during August in regard to the renewal of the military convention which is known to exist between France and Poland but the terms of which have not been divulged by either of the two governments concerned.

It will be remembered that in 1920 France went to the aid of Poland against Soviet Russia and subsequently helped to organize and equip the present Polish Army by lending it instructors and staff officers and by advancing large sums of money for the purchase of war material. The French policy which looked to Poland as an ally replacing Russia in the part she formerly played on Germany's eastern frontier was further developed by the political treaty which Pilsudski signed on behalf of Poland with France on Feb. 19, 1921. This treaty provided for the maintenance of the peace treaties, for the security of the territories of the contracting parties and for their common political and military interests.

The treaty, which was ratified by Poland on May 30, 1922, was supplemented by six conventions concluded during the next two or three years, one of them being the military convention, the full text of which has so far remained unpublished. However, *L'Humanité,* the leading newspaper organ of the French Communist party, in its issue of Aug. 28, 1932, printed portions of the agreement, and from other sources, which can be regarded as reliable, it is learned that the extracts thus published are authentic.

According to that newspaper, the Franco-Polish military convention was signed by Marshal Foch and General Sokoski on Sept. 15, 1922, and in Article II provided that in case it "is not denounced before its expiration it will remain in force for another ten years." Hence the recent discussion of its renewal and the agitation by the Communists for its denunciation on the ground that it is directed against the Soviet Union.

Article X of the convention, as translated from the text given in *L'Humanité*, reads as follows:

The French Government undertakes to give its support to the Polish Government in case of an armed conflict with Soviet Russia within the following limitations:

(a) By appointing military advisers;

(b) By giving the Polish officers' corps the assistance of corps of commissioned and non-commissioned reserve officers;

(c) By providing the Polish Army with war material in accordance with Article IX;

(d) By using the French war fleet to blockade the coasts of Russia.

These undertakings are also to be carried out in the circumstances envisaged by Article II (b).

If a Polish-Russian conflict should be complicated by the intervention of Germany, the present agreement will be binding on the French Government to the fullest extent.

Article II (b), referred to above, contemplates "the necessity for the Polish Government to put into execution the treaties of defense which will be concluded by Poland in accord with the French Government." Among the treaties "concluded by Poland in accord with the French Government" is that with Rumania, signed on March 3, 1921, providing chiefly for mutual assistance in case of an attack from the East, and the Polish-Rumanian military convention, which followed it and of which Article VI reads as follows: "For an offensive against Russia the armed forces of the two parties will be concentrated each in their own territory; the point of contact between them will be established at Hotin [Khotin] on the Dniester."

Commenting on the Franco-Polish convention, *L'Humanité* states that French military advisers are "extremely numerous" in Poland, as are also French commissioned and non-commissioned officers who are acting as instructors, and that the schools recently established in France for commissioned and non-commissioned reserve officers are training the Polish officers referred to in Article X (b). As for supplies of war material, *L'Humanité* adds, there is no need to point out that France is very liberally fulfilling her obligations.

# Reviving American Confidence

By E. FRANCIS BROWN

THE Summer of 1932 is not likely to go down in American history as one of quiet uneventfulness. Instead of the customary doldrums, with individuals on vacation, politics adjourned and the economic system running along at a slow pace, the nation has found itself caught up in the excitement of a Presidential campaign that opened earlier than is customary; the economic system, to be sure, ran slowly enough, but there were so many prophecies that it was about to speed up that even those individuals on enforced vacations found the latter weeks of August not unexciting.

Without question, the most significant developments of the month related to the nation's business. In July a mood of optimism began to permeate the country, a sentiment which was further stimulated by a definite press propaganda which recorded the resumption of economic activity in various regions of the United States. Many of these stories were not strictly accurate and certainly they made no attempt to tell of the further closing of industrial plants or of the curtailing of operations. But whether true or not, the press campaign was not without effect on the attitude of

the public. At the same time the stock market shook off its lethargy; with only slight periods of reaction, stock prices rose steadily until by the end of August the average value of securities listed on the Exchange had risen approximately 100 per cent over that of July 8. Bonds, likewise, increased in value, although not as spectacularly as stocks. During these weeks commodity prices improved until the average for wholesale prices was 94.1 for August, compared with 88.6 for June.

There were other encouraging signs of economic revival. The flow of gold from the United States seemed to be definitely stopped, and a small amount returned to this country. On Aug. 31 the Federal Reserve System reported total gold reserves of $2,772,961,000, as compared with $3,464,960,000 a year ago; nevertheless, the total for Aug. 31 was greater by $177,000,000 than the low point reached in June. At the same time the banking situation—if the smaller banks of the nation were forgotten — appeared sounder. The rise in security prices strengthened the position of the banks to some extent, and public sentiment was improved by the first statement of the loans made by the Reconstruction Finance Corporation for the brief period between July 21 to 31, which showed that no important banks had received aid. Moreover, the amount of currency in circulation showed some decrease and the number of bank failures was smaller.

On the other hand, the various indices of business activity were discouraging. The steel industry, for instance, was operating at the end of the first week in September at 14½ per cent of capacity, although this was an improvement over the previous week's figure of 13 per cent. Automobile production was on a narrow basis; electric-power output was low and car loadings showed only a slight seasonal increase. Only textiles and shoes were really active. Moreover, employment in the United States declined 3.4 per cent in July, although in August New York State showed a gain in employment of 2.9 per cent—the first improvement since September, 1931.

The earnings of industrial and mercantile enterprises have fallen tremendously. Out of twenty-three classified groups listed in the bulletin of the Second Federal Reserve District for September, thirteen reported deficits for the second quarter of the year; in 1930 none of these groups failed to make profits. The railroads, of course, show poorly in any survey of earnings. In the first six months of 1932, the Class I railroads of the United States had a total net operating income of $112,328,375, but in the corresponding period a year ago the total was $240,504,555. Small wonder that the roads are threatening their employes with a 20 per cent reduction in wages.

That some of the woes of industry are the result of the fall in purchasing power of the mass of the population cannot be seriously doubted. Between June, 1929 and June, 1932 the buying power of the average worker fell 27 per cent, according to a recent report of the National Industrial Conference Board, but in the same period the cost of living fell only 22.3 per cent.

When these facts are considered, it is not difficult to be suspicious of the bull movement in the stock market. And the rise in commodity prices, while beneficial to an extent, was early in September still insufficient to bring profits to the farmer who is still threatened with the loss of his equity in land and buildings. Other elements are present which tend to complicate the economic situation. Inflation of a sort is taking place, though how much or how serious is not yet apparent. There is the question of where the R. F. C. is taking us, with its many large loans to a wide variety of enterprises. And, finally, the economic system has been

shown to have certain weaknesses—has anything been done to correct them and make for a more stable, more sound business structure?

One does not need, therefore, to be a pessimist to be skeptical of the present sentiment that the depression is over. There has been a minor improvement in business; the upturn may have begun, but it is certain to be a long, slow process before we can truthfully say that "happy days are here again." And the way will be littered with the wreckage of bankruptcies, receiverships, defaulted bonds and foreclosed mortgages.

At the same time, organized efforts were being continued to lift business from its slough. The Federal Home Loan Bank system which was created during the closing hours of the last session of Congress has perfected its organization preparatory to extending relief to home owners in the form of more liberal mortgage arrangements. The twelve banks to be established are to be located in Cambridge, Mass., Newark, N. J., Pittsburgh, Pa., Winston-Salem, N. C., Cincinnati, Ohio, Indianapolis, Ind., Evanston, Ill., Des Moines, Iowa, Little Rock, Ark., Topeka, Kan., Portland, Ore., and Los Angeles, Cal. On Aug. 26 the chairman of the Home Loan Bank Board announced that a sixty-day moratorium on foreclosures on first mortgages by receivers of closed national banks had been ordered by the Controller of the Currency in order to tide over home owners until the Home Loan Banks could begin operations in October. Although the statement was received with considerable acclaim, it should be noted that only a small group of home owners are affected.

The Reconstruction Finance Corporation, besides its loans to banks, railroads, insurance companies and so on, has made loans for unemployment relief to several States and has been preparing decisions on many applications for aid in the construction of self-liquidating projects. The immediate establishment of agricultural credit corporations to assist farmers in the marketing of their crops was promised on Aug. 19 when the R. F. C. designated eight districts which are to be covered by credit bodies. Funds for their operation would be drawn from the resources of the R. F. C. according to a clause in the unemployment relief act.

These plans, important as far as they go, are not as likely to draw public attention as measures whose effect can be observed almost immediately. Of such a nature is the proposal to finance the buying of raw materials in an effort to bolster commodity prices. With a considerable flourish of trumpets the Commodities Finance Corporation was launched in August with a directorate of distinguished financiers and a capitalization of $50,000,000. Its purpose is to "finance the purchase, carrying and marketing of commodities for raw material users" where ordinary credit is unobtainable. Obviously, the amount of money available is too small to have much influence on commodity prices. On the other hand, the R. F. C. announced on Aug. 29 that it had authorized a loan of $50,000,000 to the Cotton Cooperative and Cotton Stabilization Corporation to permit the holding of cotton until 1933. On Sept. 5 came the announcement that the Grain Stabilization Corporation would hold off the market until Jan. 1, 1933, the 3,000,000 bushels of wheat held by the Federal Farm Board. Both these plans promised to improve to some extent the prices of wheat and cotton, although sound economic principles would seem to have been ignored.

The publicity attendant on the formation of the Commodities Finance Corporation, however, was as nothing in comparison with that accompanying the calling of a President's conference of business and industrial leaders to "move from defense to powerful attack upon depression along the whole national front." The conference,

which met in Washington on Aug. 26, was attended by the business and industrial committees of the twelve Federal Reserve districts. President Hoover opened the meeting with a statement that "the major financial crisis" had been overcome and that "with its realization, confidence and hope have reappeared in the world." He urged the setting up of machinery for "wider-spread cooperation of private forces and to coordinate them with government agencies for aid and action in industrial and agricultural fields." Better distribution of credit was needed, he asserted, and also the spreading of work through a shortening of hours in order to meet the problem of "our unemployed millions."

A six-point program was adopted by the conference in order to hasten economic recovery. Subcommittees were appointed to study: (1) The problem of making available credit affirmatively useful to business; (2) increased employment on railroads and stimulation of industry through expansion of maintenance and purchase of new equipment in cooperation with the Interstate Commerce Commission and the R. F. C.; (3) expansion of capital expenditures by industry in the way of replacement of obsolete and worn-out equipment; (4) increased employment through the sharing-work movement; (5) stimulation of repair and improvement of homes; (6) organization of committees to assist home-owners with maturing mortgages.

The "share-the-work movement," under the direction of Walter C. Teagle, president of the Standard Oil Company of New Jersey, got under way on Sept. 2, when headquarters were opened in New York City. Mr. Teagle expressed the hope that by spreading employment 2,000,000 workers would be given jobs, but he failed to mention the remaining 9,000,000 and apparently had forgotten that a "share-the-work movement" was unlikely to increase the purchasing power of the great mass of wage earners.

For one reason or another—possibly because there have been so many White House conferences—this most recent one left the public unmoved. Its six-point program was too similar to the proposals made at other conferences—proposals which never bore fruit—to stimulate enthusiasm. The President's sudden conversion to a shorter day and shorter week was suspected by many to have a close relationship to the coming election, while the previous record of many of the industrialists who attended the conference was not such as to inspire much confidence in their promises to spread employment.

In the midst of the plans and proposals for improving the business life of the nation two widely separated demonstrations of an economic nature were taking place in the Middle West. Once again strikes broke out in the Illinois coal fields. The strike began after a new wage scale of $5 a day instead of $6.10, which had been negotiated and signed by the State officials of the United Mine Workers of America. Before it was signed, a referendum on the new rate had been taken among the union's members but resulted unfavorably; a second vote was then held but the ballots disappeared mysteriously before the result of the poll was made public. Miners in one coal town after another repudiated the action of their union officials and commenced the picketing of mines which were operating. From Aug. 15, when the strike first received attention in the public press, until the end of the month the coal regions of Illinois were the scene of mass picketing which in many instances forced mines to close, of clashes between the strikers and Sheriff's deputies and State troops. But as far as possible the miners avoided violent measures and conducted their demonstrations in an orderly fashion. On Sept. 2 a convention of delegates claiming to represent 75 per cent of the coal

miners of Indiana and Illinois voted to separate from the United Mine Workers and to form a new union.

The Illinois episode reflects not only the serious economic plight of the coal industry and of the miners, but the breakdown in labor union leadership in many trades. Behind the scenes undoubtedly is a story of intrigue, exploitation and union racketeering.

The American people, however, are accustomed to strikes in industry and find labor outbreaks hardly news; a farmers' strike, on the other hand, is sensational. On Aug. 8 such a strike or "holiday" began in Northwest Iowa when the National Farmers' Holiday Association organized a demonstration whose purpose was to withhold farm products from the market for thirty days or until prices had risen to a figure that would cover the cost of production plus a fair profit. Picketing, threats and boycott were invoked to prevent farm products from reaching the great markets at Sioux City, Des Moines and Omaha, and during the ensuing weeks shipments of livestock, milk and produce to these centres were reduced to a minimum. Sympathy for the movement was to be found in all the agricultural States of the Middle West, but the strike was confined almost entirely to Iowa. Rioting on a small scale broke out occasionally when Sheriffs' deputies attempted to run the blockade of the highways leading into the cities, and on Aug. 25, 1,000 farmers besieged the county jail of Council Bluffs until fifty pickets who had been arrested were released.

Milo Reno, president of the Holiday Association, said to the press: "We are simply demanding the same consideration for our industry that is cheerfully conceded to every other industry. We assume for ourselves the right to obtain this consideration in the same way other institutions obtain theirs; that is, to refuse to deliver the products of our farms for less than production costs."

At the end of August the strike had not succeeded in raising the prices of farm products to any extent and a truce was agreed upon until after a conference of the Governors of some of the farming States which was scheduled to meet in Sioux City on Sept. 8. In spite of the truce, picketing continued to some extent and violence broke out when new attempts were made to run the blockades. As far as its effect on prices is concerned, the strike is sure to be futile; its significance lies in the fact of a group protest against the agricultural situation and as a symptom of the unrest prevailing in farm communities. If out of present conditions should arise an active farmers' movement, the future will find the Iowa farm strike far more significant than it seems to contemporary observers.

All these economic and social developments of the moment are certain to have effect on the Fall political campaign. As has been said in these pages before, the economic condition of the nation may be the principal issue on which the outcome of the campaign will depend; certainly for the moment no other issue is as important. The debate over prohibition has abated—since both parties differ only on technicalities about which it is difficult to excite the voters—and the tariff is not an issue on which the Democrats can fight with safety.

Neither party foresaw the injection into the political strife of the bonus issue which resulted from the administration's forcible expulsion of the bonus marchers from Washington. [See September CURRENT HISTORY, pages 684-88.] Both parties in their platforms advocated justice to war veterans who had been disabled during the war or had contracted disease during their period of service; both parties, by implication at least, opposed further veterans' raids on the Federal Treasury. Probably, if the B. E. F. had never been evicted from

the capital, the veterans would have allowed the demand for immediate payment of the bonus to have been forgotten, temporarily at least, but the incidents in Washington gave the question of the bonus quite a different aspect.

By Aug. 28 thirty-one State conventions of the American Legion had instructed their delegates to the national convention which opened in Portland, Ore., on Sept. 12, to vote for the immediate payment of the bonus. In the State conventions only the most careful direction prevented the adoption of resolutions censuring President Hoover for his treatment of the B. E. F., while the Twenty-ninth Division Association, at its meeting in Norfolk, Va., on Sept. 4, did adopt a resolution that "the President, Herbert Hoover, be utterly condemned for the action which he took toward our comrades, both directly and indirectly."

While this emotional issue was menacing the Republican party's hopes, the details of the eviction of the B. E. F. remained confused. Statements of government officials in regard to the happenings which brought about the use of the troops on July 28 were contradicted by reliable witnesses and prominent Washington citizens. On Sept. 11 President Hoover laid before the nation a report by the Department of Justice on its investigation of the B. E. F. This report seemed to lend weight to previous claims that the bonus-marchers had many undesirables in their ranks, that criminals and avowed agitators were present. But the report was not conclusive and perhaps the truth will never be known.*

The more apparent manoeuvres of the election campaign have helped to divert public attention from the real economic and social condition of the country. Following President Hoover's speech of acceptance on Aug. 11, the Republican campaign lagged. The President's address undoubtedly won him support for the moment, although his statement in favor of State regulation of the liquor traffic under Federal protection alienated the extreme drys, who were undecided whether to join a third party movement or to support no Presidential candidate, working instead for Senators and Representatives who would vote to retain the Eighteenth Amendment. The drys were further perplexed on Aug. 18 when Vice President Curtis in his speech of acceptance declared that he was "opposed to the repeal of the Eighteenth Amendment," although admitting that "in order to remedy present evils a change is necessary." Thus the Democrats were able to assert that the Republicans were still attempting to straddle the prohibition issue—a point made by Governor Roosevelt in a speech at Sea Girt, N. J., on Aug. 27.

For the rest, Republican activity consisted of perfecting the organization for the campaign, seeking elusive funds for the support of their strategy and criticizing the various speeches made by Governor Roosevelt. Valuable ammunition for the Republican party's attack was contained in an article by Calvin Coolidge published in *The Saturday Evening Post* of Sept. 10, in which he stated the case for his party and advocated the reelection of President Hoover on the basis of his record.

The Democrats, as a party definitely on the offensive, were busier during the closing weeks of the Summer. Although at first the party expected to have abundant campaign funds, it had become apparent by mid-August that special efforts must be made to raise the amount of money necessary to finance the party's work.

*The article, "The Bonus Army Marches to Defeat," in September Current History, inadvertently added to the confusion concerning the events of July 28 by attributing the death of the two veterans who were killed to the action of the army. The veterans were killed during the riot with the police before the regular troops were summoned.

In a radio adddress on Aug. 25 Governor Roosevelt appealed for contributions, especially from the average citizen. The party set its goal at $1,500,000, a sum little more than a quarter of that raised in the 1928 campaign. Some consolation could be found, however, in the similar plight of the Republican treasury. With funds trickling in, the party planned the speeches to be made by its leaders. Governor Roosevelt announced on Sept. 5 that he would begin on Sept. 12 a great swing around the circle which in the course of three weeks would carry him to the Pacific Coast and would include addresses in most of the chief cities west of the Mississippi.

Governor Roosevelt's most important speech before the beginning of his tour was made at Columbus, Ohio, on Aug. 20, when he assailed the record of the Republican party. He summed up his attack on the Hoover Administration in four sentences: "It encouraged speculation and overproduction through its false economic policies. It attempted to minimize the crash and misled the people as to its gravity. It erroneously charged the cause to other nations of the world. It refused to recognize and correct the evils at home which had brought it forth, delayed relief and forgot reform." For his part, Governor Roosevelt offered the following nine-point program:

1. Every effort to prevent the issue of "manufactured and unnecessary" securities, and to insure full information to the investor in legitimate issues concerning the use of his money, including a demand that the sellers disclose their bonuses and commissions.
2. Full use of Federal power for regulation of holding companies.
3. Federal regulation of the Stock Exchange and other exchanges.
4. More rigid supervision of national banks.
5. Discouragement of the use of bank deposits for speculation.
6. Complete separation of investment and commercial banking.
7. Barring the use of Federal Reserve funds for speculation.
8. A pledge against implied approval by the State Department of foreign flotations in this country.
9. No government attempts to influence the stock market by "misleading statements."

Four days later, at Providence, R. I., Secretary Hurley answered Governor Roosevelt when he declared that the Governor had attempted to "arouse class antagonism, to capitalize discontent, to make politics out of human misery, and to profit by distortion." Denying the Republican Administration's responsibility for the economic crisis, the Secretary of War asserted that "up to this moment, the Governor has not offered one constructive suggestion that would give employment immediately to any person or relieve distress or overcome the effects of the depression."

Governor Roosevelt's only other speech of importance was that at Sea Girt, N. J., where he attacked the Republican stand on prohibition and denied that the Democratic party favored the return of the saloon. Following his appearance at Sea Girt, Governor Roosevelt was a week-end guest at the home of his law partner at West Hampton, L. I. Here it was hoped that he would meet Alfred E. Smith and thus patch up the difference which arose as a result of Roosevelt's nomination, but Mr. Smith declined an invitation to attend a luncheon given in the candidate's honor. While the continued silence of the 1928 Democratic candidate has been embarrassing, there can be little doubt that eventually he will place the stamp of his approval on the Roosevelt candidacy.

The political sensation of the month was the hearing conducted by Governor Roosevelt upon the charges against Mayor Walker of New York City which arose out of the investigation of the city's affairs by a committee authorized by the State Legislature. The hearing began at Albany on Aug. 11 and was continued with frequent adjournments until Mayor Walker, on Sept. 1, resigned as Mayor

of the nation's greatest city, declaring that "the proceeding before the Governor developed into a travesty, a mock trial, a proceding in comparison to which even the practice of a drumhead court-martial seems liberal." The American public—which had been watching the development of the Walker case with intense interest—was not convinced that the Mayor's charges were justified. Republicans and Democrats alike had expressed admiration of the dignity and skill with which Governor Roosevelt had conducted the hearing and had become somewhat irritated by the tactics by which the Mayor and his counsel had sought to evade the questions and becloud the issues involved. And following the Mayor's resignation, the press of the nation with but few exceptions expressed the belief that the Mayor's action indicated that he was guilty of misconduct in office and that he had chosen resignation as the one possible escape from removal from his post.

Mayor Walker, in the statement accompanying his resignation, declared that he would seek re-election and thus would carry his case to the people of the city. His action complicated the Democratic party's campaign by making uncertain Tammany Hall's support of Roosevelt's Presidential ambitions. Outside New York City, Governor Roosevelt's handling of the Walker case unquestionably strengthened his candidacy, but if the election should be close, it is probable that Governor Roosevelt would be defeated for the Presidency unless he could carry New York State, and ordinarily that would mean carrying New York City. Will Tammany aid the Roosevelt campaign, or will it treat him as it is supposed to have treated Grover Cleveland in 1888? And will Tammany give Walker the opportunity of submitting his case to the electorate? These questions remained unanswered in the confusion which followed the Mayor's resignation, but certain it was that, as so many times in American history, the internal politics of New York State would have important repercussions on national affairs.

# Mexico's New President

*By* CHARLES W. HACKETT

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THE resignation of President Pascual Ortiz Rubio and the election by Congress on Sept. 4 of Abelardo L. Rodríguez, Minister of War, as Provisional President brought to a climax a year of marked political instability in Mexico. Two Cabinets have resigned in less than a year, on Oct. 14, 1931, and on Jan. 20, 1932, and there have been frequent changes within the Cabinet and in other high governmental positions. When former President Plutarco Elias Calles resigned as Minister of War on July 30, President Ortiz Rubio two days later filled the vacancy by appointing General Abelardo Rodríguez, who, at that time, was Minister of Industry, Commerce and Labor. Primo Villa Michel was given the latter portfolio.

In mid-August a political feud began which ended in the resignation of President Ortiz Rubio on Sept. 3. It originated in a change of medical directors at the General Hospital, which is dependent upon a national charitable organization headed by Francisco Ortiz Rubio, a brother of the President. As a result of this change, more than twenty physicians

on the staff of the hospital resigned. This led Estrada Cajigal, Chief of the Federal District and, as such, a member of the President's Cabinet, to intervene. His efforts to settle the matter were considered by the President as "going beyond his instructions," and Cajigal decided to resign. The next day Dr. Anton Melo, head of the Public Health Department, likewise resigned on the ground that he had been associated with Cajigal and had approved of his intervention. Other physicians who were loyal to Cajigal and Dr. Melo and who had been lending their services to the hospital also resigned. When an official announcement, on Aug. 20, that General José M. Tapia had been named Chief of the Federal District was withdrawn the next day, the accepted explanation was that General Tapia had refused to accept the appointment. Subsequently the position of Chief of the Federal District was offered to three other men, all of whom declined it. Finally, on Aug. 28 it was announced that Justice Manuel Padilla of the Supreme Court had been given a leave of absence by a special session of Congress to become Chief of the Federal District.

The breach between Cajigal and President Ortiz Rubio proved to be the latter's undoing, since former President Calles, long regarded as the "strong man" of Mexico, gave his support to Cajigal. Calles's friendship and admiration for Cajigal, who is also Governor of the State of Morelos, has long been known and was publicly proclaimed some months ago when he referred to Cajigal as the type of aggressive, honest and efficient young manhood on whom the future welfare of Mexico most depends.

The seriousness of the breach between President Ortiz Rubio on the one hand and Calles and Cajigal on the other was acknowledged by the President at a Cabinet meeting on Sept. 2, when he is reported to have said that a situation favorable to himself could be achieved, if at all, only through violence; this alternative he rejected immediately.

It was announced on Sept. 3 that the President's resignation would be given to Congress, and at a meeting of the National Revolutionary bloc in Congress the same day General Rodríguez was unanimously endorsed for Provisional President, thus insuring his election. Ortiz Rubio's resignation because of "ill health," was received and accepted by the Mexican Congress on Sept. 4 and General Rodríguez was officially chosen as his successor. After his resignation, Ortiz Rubio left for Hot Springs, Ark., insisting that he had no differences with former President Calles and that he was merely anxious to take a long rest.

The new Cabinet appointed by Provisional President Rodríguez contains only two new ministers. One of them is former Provisional President Emilio Portes Gil, who received the post of Attorney General. The other is Dr. Gaston Melo, one of the physicians who resigned from the hospital, as Minister of Public Health. Only two of the eleven members of the Cabinet are military men.

The peaceful retirement of President Ortiz Rubio stands out in bold contrast to previous changes. Before 1920—and omitting the seven times that Porfirio Diáz succeeded himself—there were only three occasions in nearly a century of independence on which a constitutional President turned over his office to his constitutionally elected successor. The latest peaceful transfer of executive power is the fourth one in the last twelve years.

## *MEXICAN CONGRESS CONVENES*

The Thirty-fifth Mexican Congress opened on Sept. 1 with the annual presidential address read by President Ortiz Rubio. He declared that Mexico was at peace with the world and had no major and few minor

problems. He congratulated the country upon the orderly conduct of recent general and legislative elections, citing them as "proof of the democracy of this nation and of the fact that the Mexican people have more confidence and faith in suffrage and order than in violence." The Ministry of Foreign Relations, he reported, had transported 126,154 Mexicans out of the United States to the Mexican border for repatriation, without involving the expenditure of public funds during the past year. Regarding the Church and State conflict the President said that "careful, constant vigilance" had been necessary to prevent violation of the religious laws. He accused the clergy of making improper use of fiestas "to intensify religious propaganda." Referring to the fact that the two educational decrees had been passed to enforce lay education, one of which was sternly but unsuccessfully opposed by the clergy, he promised that every effort would be made to abolish primary religious schools.

## *NICARAGUAN REBEL ACTIVITY*

Clashes between patrols of the Nicaraguan National Guard, many of them commanded by United States Marine officers, were less frequent and less intense during August than during July. Major Julian C. Smith of the United States Marine Corps, who is a Colonel of the Nicaraguan National Guard, was appointed Chief of Staff of the Nicaraguan National Guard early in August. He succeeds Major Walter G. Sheard, who was placed in command of the central area of Nicaragua. In an airplane crash on Aug. 24, Lieutenant R. P. Rutledge and Sergeant O. B. Simmons, of the United States Marine Corps, were killed when they attempted to drop a message to a ground patrol. The Marine aviators were cooperating with the ground patrol in efforts to rescue two Marine mechanics who had been marooned on the Nicaraguan east coast when they were forced to jump from their plane three days earlier.

A project for a loan of $1,500,000 from the National Bank of Nicaragua to provide funds for railway and highway construction, the expenses of the American election mission and the budget deficit was adopted by the Nicaraguan Congress on Aug. 10. As a guarantee for the loan the government pledges the net revenues of the National Railway, the Corinto and San Juan del Sur wharves, the road taxes and the customs duties on luxuries. Supervision of the expenditures from the loan will be made by Finance Minister Arguello, High Commissioner of Customs Lindberg and a representative of the minority party appointed by the government.

Adolfo Diáz, President of Nicaragua from 1911 to 1917 and from 1926 to 1929, was nominated for President of Nicaragua by the convention of the Conservative party on Aug. 16.

## *NEW TREATY BETWEEN HAITI AND THE UNITED STATES*

Under the terms of a Treaty of Friendship signed on Sept. 3 by Albert Blanchet, Foreign Minister of Haiti, and Dana G. Munro, United States Minister at Port-au-Prince, the United States will relinquish part of its control over Haitian affairs in 1934 or two years sooner than the date set in the previous treaty. The treaty specifies that the Garde d'Haiti is to be completely officered by Haitians not later than Dec. 31, 1934, and that at the same time withdrawal of United States Marine troops is to begin. On this point an exchange of notes between the two signatories adds: "It is realized that it might prove impossible to carry out this program at the times fixed if serious disturbances or other difficulties in Haiti now unforeseen should arise to prevent its execution." The treaty also provides that the American Re-

ceiver General of Customs and the Financial Adviser be replaced by a Fiscal Representative and a Deputy Fiscal Representative to be appointed by Haiti upon the nomination of the President of the United States. This provision was made to safeguard the security of $14,150,000 in American bonds now outstanding in Haiti.

Martial law for Port-au-Prince and certain other sections of Haiti as part of the government's campaign against the opposition press was proclaimed by President Stenio Vincent on Aug. 20. Five newspapers were promptly suppressed and two editors were arrested; this action was justified by President Vincent on the ground that certain newspapers were provoking the public with the prospect that agitation might lead to bloodshed and imperil the stability of the government.

President Hoover on Aug. 13 appointed Norman Armour, Counselor of the United States Embassy in Paris, as Minister to Haiti. He will succeed Dr. Dana G. Munro, who has occupied that position since June 28, 1930.

### *COSTA RICA'S DEBT*

A plan for meeting payments of interest during the next three years on Costa Rica's 7 per cent dollar bonds, amounting to slightly over $7,000,000, and due on Nov. 1, 1951, was announced on Aug. 29 by the Costa Rican Government through J. and W. Seligman & Co., its fiscal agents in New York. It was stated that in exchange for interest coupons on each $1,000 bond, up to and including that payable on Nov. 1, 1935, Costa Rica would give $23 in cash and funding bonds of $222 principal amount, bearing 5 per cent interest, payable semi-annually and maturing in 1951.

### *RENT STRIKE IN PANAMA*

A decree suspending property rights and individual guarantees in Panama until the passage of a rent law by the National Assembly was issued by President Alfaro on Aug. 15. This action was taken because the rent strikes had brought about a situation that threatened the public peace. Property rights were suspended so that the government could make effective concessions that had been offered by the landlords but had subsequently been withdrawn. Three days later, despite the fact that there was no suggestion of intervention by the United States in the matter, the National Reserve, a self-styled patriotic organization, went on record as desiring "to repel with all energy any disorder that might provoke an American military occupation." A presidential decree accorded the members of the National Reserve the same authority as the police.

### *CUBA'S INTERNAL DIFFICULTIES*

Political disorders and opposition to the administration of President Gerado Machado were less frequent and violent in Cuba during August than for some months past. Plans for alleged Communist or anti-administration demonstrations on Aug. 1 were discovered by the police and failed to materialize.

On Aug. 22 Señora Mariana de la Torre, who was the first woman ever court-martialed in Cuba and who was sentenced on July 7 to serve fourteen years in prison, was pardoned by President Machado. Because of the social position and wealth of the Mendoza family, of which Señora de la Torre is a member, her trial attracted great interest. She has always been an outspoken opponent of President Machado and her pardon came as a surprise to the public.

A strike of approximately 500 Cuban physicians, members of the National Medical Federation, began at midnight on Aug. 18. About 2,000 patients in eight Havana mutual aid hospitals were affected. The physicians, who were employed by mutual-aid societies, had demanded that the societies drop from their lists all persons able to pay the regular fees for

medical assistance. When their demand was not heeded, a strike was scheduled for Aug. 15, but at the request of President Machado it was postponed for seventy-two hours. Unable, despite strenuous efforts, to effect an agreement, the government took steps to preserve order and announced that physicians attached to the Department of Health would be pressed into service where the personnel left in the mutual-aid hospitals might be insufficient for the needs of the patients.

The total indebtedness of the Cuban Republic, according to Treasury Department figures released early in August, is $153,754,000, exclusive of Cuban sugar stabilization bonds. Of this sum, $58,388,000 must be paid on various external bonds; $7,866,000 remains as an unpaid balance on a bond issue that was floated in 1905, while public-works loans extant amount to $87,500,000. In addition, $42,000,000 in bonds have been issued against certificates for segregated sugar. Of the latter sum, $8,265,360 has been amortized; $5,026,520 is held by banks, and $28,708,120 is in circulation. Since General Gerardo Machado became President on May 20, 1925, the Cuban Government has paid $66,050,149 principal and $50,013,344 interest on its funded debt. Between July 1, 1930, and June 30, 1932, the government bought back some of its paper at $2,373,186 less than the obligations represented. A steady decline in the Cuban silver dollar, until on Aug. 10 it was quoted at a discount of 2¾ to 3 per cent in Havana exchange markets, has been authoritatively attributed to the policy of the Cuban Government in withdrawing American currency from circulation and substituting Cuban silver, which was adopted at the time of the recent issue of approximately $3,000,000 in silver.

It was announced on Aug. 12 that Oscar B. Cintas, a business man, would be Ambassador to the United States in succession to Dr. Orestes Ferrara, who recently resigned to become Cuban Secretary of State and who is well known in the United States through his business connections. He is vice president of the American Car and Foundry Company and of the American Locomotive Company in the United States.

# War and Revolt in South America

*By* HENRY GRATTAN DOYLE

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THE revolutionary movements of 1930 and 1931 in South America were carried out with relatively little loss of life. But recent political disturbances there seem not to have followed this pattern, for while brief, they have been characterized by considerable bloodshed. The sanguinary revolt at Trujillo, Peru, in July was more than matched by a similarly unsuccessful attempt by adherents of President-elect Neptali Bonifaz of Ecuador to seize the government of that country, an effort which plunged Quito into a week of slaughter in which, according to reports, about 800 lost their lives. The explanation probably lies in the fact that the movements of 1930 and 1931 represented rather general dissatisfaction with autocratic régimes and were supported by the bulk of public opinion, while those recently occurring in Peru and Ecuador apparently lacked gen-

eral support and were too closely identified with party conflicts. The former were successful and bloodless; the latter have been unsuccessful and apparently have resulted in relatively great loss of life.

Whether this means the approach of the end of the current revolutionary era in South America remains to be determined by events. For one thing, autocratic governments have become rare. The civil war in Brazil of course lies outside the scope of such a generalization. It represents a sectional rather than a party cleavage, though party politics is involved, and has been conducted on a military scale that suggests comparison with our own Civil War rather than with an ordinary South American revolution. It had been under way for nearly two months at the time of writing, without decisive results, and in number of combatants involved, equipment, leadership and cost of operations it goes beyond any purely civil strife that has arisen in recent years in South America.

In the field of international relations, the situation as regards the Chaco dispute between Bolivia and Paraguay remains unsatisfactory, though there is evidence of increasing pressure by neighboring countries to bring about a solution. A new border episode involving Peru and Colombia occurred on Sept. 1, but it does not seem likely to create serious difficulties between the two nations. Peruvian irritation over an Argentine resolution passed by the Chamber of Deputies on Aug. 19 asking clemency for Raúl Haya de la Torre, leader of the "Apra" opposition to President Sánchez Cerro of Peru, was reported as likely to lead to severance of diplomatic relations between the two countries. Peru had severed relations with Mexico in May on the ground that the Mexican legation in Lima was too friendly to Haya de la Torre. Argentina and Uruguay severed relations on July 13 as the result of an episode involving Argentine exiles in Uruguay, but it was reported late in August that relations would soon be resumed.

### *THE REVOLT IN ECUADOR*

The seven days' revolt in Quito, in which so many lives were sacrificed, arose out of a party struggle for the Presidency of Ecuador. Presidential elections held last October, following the ousting of President Ayora, resulted in a decisive victory for Neptali Bonifaz, Conservative candidate and one of the richest landowners of Ecuador, over his two Liberal opponents, Colonel Larrea Jijón and Commandant Ildefonso Mendoza. The President-elect was to assume office on Sept. 1, 1932, for a four-year term, and in the meantime the Provisional President, Alfredo Baquerizo Moreno, was to remain in office. When the results of the election were made known it was prophesied that efforts would be made by the Liberals to prevent assumption of office by the successful Conservative candidate, a purpose to which the long interval between the election and inauguration readily lent itself. The Liberals have been in control in Ecuador for many years and the election of a minority Conservative candidate because of a party split, with the prospect of a Conservative régime for four years, was hard for them to stomach. Commandant Ildefonso Mendoza had eliminated himself as a source of trouble by leading in April of this year an unsuccessful revolt which resulted in his imprisonment.

As the time approached for the opening session of Congress on Aug. 10, a question was raised as to the eligibility of the President-elect. Only a native-born Ecuadorean is eligible to be President, and Bonifaz, although born in Quito and a resident of Ecuador all his life, was the son of a Peruvian, formerly secretary of the Peruvian Legation in Quito, and was

born in the Peruvian Legation. Furthermore, three of his children were registered as Peruvians. (It also developed that his defeated opponent, Colonel Larrea Jijón, had at one time claimed Chilean citizenship.) Feeling ran high, and on Aug. 14 a supporter of the President-elect was killed in a riot over the question, which led to further disorders.

Finally, after a stormy night session on Aug. 19 and 20, and after Bonifaz had refused to resign, Congress, by a vote of 48 to 36, declared him ineligible. The President-elect did not deny that he had assumed Peruvian citizenship twenty-eight years ago "because of family relations ill-considered in his preoccupied youth," but maintained that "by birth, residence and all the factors on which nationality is based" he was an Ecuadorean. The army, Liberal in sympathies, announced its support of Congress. Dr. Alberto Guerrero Martínez, president of the Senate, announced his intention to resign because he "had been forced by public opinion to vote against the President-elect." On Aug. 26 Congress approved a decree under which Provisional President Baquerizo Moreno was to remain in office until a new election could be held.

On the following day part of the garrison of Quito, supported by civilians, rose against the Provisional President, who took refuge in the Argentine Legation, and declared itself in favor of Bonifaz. Regiments supporting the Provisional Government, aided by civilian volunteers, began to converge on Quito from other garrison posts in the republic, all of which remained loyal to Baquerizo Moreno's cause. On Aug. 28 these forces surrounded Quito and a series of bloody encounters followed their entrance into the city, the insurgents fighting from behind barricades and in a house-to-house retreat. The loyalist forces stormed the historically famous Pichincha Hill in the face of rebel batteries. The diplomatic corps sponsored a peace parley in an effort to end the fighting, in which civilians were being killed, but the conferees were unable to agree, since the insurgents insisted on a general amnesty and the loyalists on unconditional surrender.

Hostilities were resumed on Aug. 31, but on Sept. 2 the revolt was broken by the surrender of the rebellious troops and their civilian supporters. Bonifaz took refuge in the American Legation. The Provisional Presidency was assumed by Alberto Guerrero Martínez as president of the Senate, the Provisional Government of Alfredo Baquerizo Moreno having come to an end by constitutional limitation at midnight on Aug. 31. The new government placed Quito under martial law and all the arms in the possession of civilians were seized. On Sept. 4 the Provisional Government called new elections for Oct. 30 and 31.

### *THE WAR IN BRAZIL*

On Sept. 7 Brazil celebrated the 110th anniversary of her independence from Portugal. The same day marked the middle of the ninth week of the civil war between the federal government and the rebellious people of the State of Sao Paulo and their supporters in Minas-Geraes, Matto Grosso and other States. Up to the end of August, it was estimated, the war had cost the federal government about $3,420,000, while loyal States had incurred additional expenses which brought the total up to $7,250,000. The government on Aug. 11 authorized a new loan of $29,000,000 at 7 per cent. On Sept. 4 the federal government contracted for the printing of about $21,000,000 of paper money. Losses were unofficially estimated on Aug. 27 at 4,000 dead and wounded for the Federals and between 4,000 and 6,000 for the Paulistas. A spokesman for the latter admitted that casualties had reached 4,200 on Aug. 20, but claimed that federal losses were much heavier. An unof-

ficial report placed the total casualties at 15,000 up to Aug. 26.

An appeal for recognition of the rebels as belligerents has apparently failed of its purpose. So have all efforts to reconcile the two factions, and the war goes on, with the 6,500,000 people of the richest State in Brazil still stanchly holding out against the power of the federal government, which represents, theoretically at least, the rest of Brazil's 40,000,000 inhabitants. Claims of great federal victories against the rebels, as well as of gains in support for the rebels outside Sao Paulo, notably in Rio Grande do Sul, President Vargas's own State, do not seem to be substantiated.

The rock upon which informal negotiations for peace are reported to have split is the Provisional President's demand that the rebels lay down their arms before terms will be discussed. But Protogenes Guimaraes, the Minister of Marine, on Aug. 25 announced that the rebels had rejected peace terms providing for a general amnesty and the adoption of a provisional Constitution pending the convening of a constituent assembly, in return for the rebels' surrender of their arms. This proposal was submitted to the rebels, according to reports, by Mauricio Cardozo, former Minister of Justice, who was permitted by the government to make the proposals "as a demonstration of its own pacific tendencies."

Commercial and industrial interests were reported on Aug. 28 to have induced the Governors of the States of Minas Geraes and Rio Grande do Sul to submit suggestions for peace to the Provisional President. A delegation representing both intellectuals and commercial groups, announced as sailing on the cruiser Bahia on Aug. 29 for Santos to negotiate an armistice with rebel leaders, failed to leave. No reason for cancellation of the plan was forthcoming, but the Minister of Marine stated that "the government reiterates that peace talks are impossible until the Paulistas lay down their arms." Unofficially the peace plan was said to provide for a junta, made up of Minister Guimaraes, an unnamed General and a prominent civilian, which would call an assembly, meanwhile governing the country.

The Provisional President's opposition to this plan may be due to his unwillingness to eliminate himself as the dominant factor, an interpretation that is in accord with the statement made by a Brazilian correspondent of the *Baltimore Sun*, in which the President is depicted as "giving his audiences, editing his decrees, reediting them, issuing them, withdrawing them, reissuing them, until he slows the crises down and then makes them wither away." "The man in the street calls him 'xuxu'," (the equivalent of our "stick-in-the-mud," according to the correspondent), the article continues, because, "although the political tides sway him this way and that, they leave him as firmly anchored as before." According to this writer, President Vargas "will be dictator as long as dictatorship is possible."

Rebel headquarters on Aug. 25 declared that 5,000 men from Minas Geraes, under the leadership of former President Bernardes of Brazil, had pledged their support. On Aug. 29 orders for a widespread federal offensive against the rebels were reported countermanded by General Monteiro because Major Othelo Franco of the general staff had gone over to the rebels and revealed the federals' plans. On the same date a group of federal flyers was reported to have deserted to the rebels, taking with them four new planes just received from the United States. Persistent reports of uprisings in the State of Rio Grande do Sul were countered by federal claims that Governor Flores da Cunha had the State well in hand.

Military operations against the Paulistas have been conducted on three fronts. On the south an army under General Waldomiro Lima, on the east the forces of General Goes Monteiro and on the north the troops of General Manoel Rabello are pressing the rebels. The commander of the rebels is General Bertholdo Klinger, a German officer who was a supporter of President Vargas in the revolution of 1930. Operations have proceeded under great difficulties, particularly on the eastern front, between Rio de Janeiro and Sao Paulo, where freezing weather and the necessity of making troop movements through mountainous terrain have proved serious obstacles.

The objective of the federals in this sector is the railway junction at Cruzeiro, the link between the three States of Rio de Janeiro, Minas Geraes and Sao Paulo. This important point and the Mantequeira railway tunnel near by are apparently regarded by both sides as the key to the defense of Sao Paulo. It was seized by the rebels at the outbreak of the revolt and has been the object of almost continuous attack ever since. The offensive on this front extends over a line about 125 miles long, with three objectives: Cruzeiro and the Mantequeira tunnel, already mentioned; the city of Sampinas, third largest city in Sao Paulo, about sixty-five miles from the State capital, and Boavista, terminus of the Boavista Railroad. The southern army was reported on Sept. 3 to have reached Itapetininga, about eighty miles from the city of Sao Paulo.

### *THE CHACO NEGOTIATIONS*

The truce between Bolivia and Paraguay reached on Aug. 10 proved to be short-lived. Paraguay insisted on an armistice based upon the territorial positions of troops as of June 1, 1932, while Bolivia demanded recognition of the *status quo.* As the Bolivians hold Forts Boquerón, Corrales and Toledo, captured, they say, in reprisal for Paraguayan aggressions beginning on June 15, the conflict between these points of view is serious. A fourth *fortin,* Carlos Antonio López, called Pitiantuta by the Bolivians, was recaptured by the Paraguayans on Aug. 12—the fourth time that it has changed hands since the present crisis began—thereby effectually ending any *de facto* truce. Military activities by both sides have apparently continued, in spite of the efforts of the five neutral governments (Colombia, Cuba, Mexico, Uruguay and the United States) to reach an acceptable basis for a truce, several new clashes occurring in the last two weeks of August.

Meanwhile, Paraguay inaugurated its new President, Dr. Eusebio Ayala, on Aug. 15. A distinguished jurist who has served his country as Cabinet member and as Minister to the United States, Dr. Ayala is reported to favor the establishment of a neutral zone in the Chaco, from which troops of both nations would withdraw, thereby avoiding new clashes pending settlement of the dispute. This proposal, first made at the Buenos Aires conferences of 1927—in which, by the way, both President Salamanca of Bolivia and President Ayala participated—represents in my opinion a sound approach to the problem. President Ayala announced that his first act on assuming office would be to ask for ratification of the conciliation treaty signed in Washington in 1929.

Reports of heavy Bolivian mobilization in the Chaco, originating from Argentine correspondents, have continued. Bolivian resentment against Argentina has also been aroused by reports that two members of the Argentine military mission to Paraguay, withdrawn by Argentina in accordance with the joint declaration of neutrality by Argentina, Brazil, Chile and Peru signed on Aug. 6, had secretly returned to Asunción.

Refusal by Bolivia to surrender the

three forts taken since June 1 is thought to have led to the resignation of Foreign Minister Zalles of Bolivia and perhaps also to that of Luis O. Abelli, Bolivian Minister to the United States, though it is denied that there is any connection between these events. On Aug. 29 the commission of neutrals in Washington proposed in notes to both nations a sixty-day truce, beginning on Sept. 1, in the Chaco. This was refused by Paraguay because it was based on the *status quo,* as proposed by Bolivia, which implied that Bolivia would retain possession of the three forts mentioned. In reply to the same proposal Bolivia suggested a thirty-day truce, but this was also rejected by Paraguay on Sept. 1 on the same grounds. According to Paraguayan newspapers, an additional month would permit Bolivia to complete her mobilization in the Chaco, enabling her after the six months' rainy season, which precludes military operations, to make a drive for the Paraguay River, using the three captured forts and ten new ones, alleged to have been built by Bolivia during the negotiations, as bases for this advance. A proposal for suspension of mobilization in the Chaco was refused by Bolivia on the ground that the great distance between Bolivian centres and the disputed region gave Paraguay an advantage.

*COLOMBIAN TOWN SEIZED.*

About 300 Peruvian civilians on Sept. 1 seized the Colombian town of Puerto Leticia, on the upper Amazon northwest of Iquitos, the Peruvian river port. The seizure, at first attributed to Communists, was effected without bloodshed, and apparently represents a protest by Peruvian residents of the region against the cession of the town to Colombia under a treaty between Peru and Colombia negotiated in March, 1922, and ratified by Colombia in October, 1925, and by Peru in March, 1927. The Town Council of Iquitos announced that it supported the action of the invaders and asked for military support. The Foreign Offices of the two countries did not seem to be disturbed over the occurrence.

# Depression Still Grips Britain

*By* J. BARTLET BREBNER
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DESPITE some evidences of British economic health, July and August have been marked by various fundamental, though small, setbacks in business. Industrial and financial circles have been outspoken about their difficulties, following the truce observed during the Ottawa Conference, and the government has again been exposed to criticism.

The loan conversion operations, for example, have been accompanied by an embargo on new capital flotations in London at a time when the money market was flooded with cheap, short-term money. By Aug. 15, of the £2,087,000,000 war loan, 88.6 per cent was pledged for conversion from 5 to 3½ per cent; only 2.3 per cent of the holders demanded cash payment, while the attitude of less than 10 per cent was in doubt. Two weeks later it was announced that another £153,000,000 in loans and Treasury bills would be paid at par on Dec. 1, the general assumption being that a new loan of about £400,000,000 at a low interest rate would be floated to meet these and other immediate obligations. These enormous operations

promised to save about £30,000,000 a year, but private enterprise has begun to be querulous over the government's refusal to share the advantages of cheap money. The only concession has been permission for conversions and refunding of open-market issues falling due before Dec. 1.

In general, trade and industry continued to be depressed. For July, exports totaled £32,590,000, but were £6,598,000 less than in July, 1931; imports were less by £18,226,000, but the adverse trade balance fell £11,-628,000. For the first six months of 1932 exports declined 6 per cent and imports 14 per cent, as compared with the same period a year ago—a record much better than that of France or Germany, but below the hopes expressed in the Spring. The Board of Trade index of industrial activity for the second quarter was 1.1 per cent lower than for the first quarter, although 2.2 per cent better than 1931. Naturally the lag was reflected in the statistics of unemployment. By Aug. 22 the total number of unemployed had risen to 2,859,828—126,046 more than on the same date in 1931.

The long-drawn-out negotiations between employers and weavers in the cotton industry broke down on Aug. 9. Last December the employers gave notice that the 1919 agreement, with its subsequent modifications, would end on June 11 in favor of a new wage scale and more looms per weaver. Before June 11 some weavers had been called out on strike by their unions, notably in Burnley, because employers broke their agreements as early as March; wage negotiations failed when the weavers insisted on reinstatement of these strikers.

Strike notices went out on Aug. 15, and, in spite of all attempts at mediation, the strike began in some places even before Aug. 27, the date set. By Sept. 1 about 145,000 weavers were on strike and were seriously threatening other branches of the industry. The weavers maintained that the employers had not taken, nor contemplated taking, any serious steps to place the industry as a whole in an internationally competitive position except by reducing wages and allotting more looms to a weaver. The employers, on the other hand, held that the reinstatement of the earlier strikers was merely an excuse to avoid accepting a lower wage scale without protest.

The low rate for sterling attracted some attention, at a time when the Treasury and the Bank of England were still buying gold. Complaints were made that the embargo in the London market meant that investors sought New York. Security prices continued to rise in London, but the future was doubtful.

### *THE IRISH ARMIES*

There are now four military organizations in the Irish Free State for the protection of various groups. The small Free State Army, supported by an official semi-constabulary known as the Civic Guards, was created by the late Michael Collins and has efficiently protected the government since 1921. Its leaders assert that it is outside politics and they live up to their words. The second force, the Irish Republican Army, is an unofficial organization which has never acknowledged the treaty and is pledged to an all-Ireland republic. It is generally held responsible for the assassination of Collins and other supporters of the treaty. The Cosgrave Government, during the last year of its existence, tried hard to stamp it out. It has been tolerated by President de-Valera, whose government regards it as "not inimical" to the safety of the State. Its leaders, however, have roundly denounced de Valera for not carrying out their policies and since his election they have been particularly defiant.

Colonel T. F. O'Higgins of the Saorstat Army Comrades Association, brother of the murdered Kevin O'Hig-

gins, announced in the middle of August that that organization had decided to enroll volunteers "to support the lawfully constituted government of the State." Composed of former Free State Army men, the association felt that many Irishmen were being intimidated, that difference of opinion over government policies had brought about a recrudescence of the dangerous practice of "traitor pointing," that free speech was being destroyed, and that President de Valera's toleration of arms in the possession of the I. R. A. was extremely dangerous. They proposed to check communism and, although unarmed, to protect their own members and others from intimidation. The common interpretation of this action was that it was a move by the Cosgrave party against the Irish Republican Army. Many hoped that its existence would force the government to abolish both.

De Valera replied that he saw no reason for the new force. At the same moment, two I. R. A. leaders were wounded in an encounter with the Civic Guards and were arrested on serious charges. On Aug. 23 they were released from custody and the charges withdrawn. The same day armed members of the I. R. A. seized Donamon Castle near Roscommon as training headquarters for the week-end. The Irish Cabinet completely ignored the annual services on Aug. 21 for Michael Collins, Arthur Griffith and Kevin O'Higgins, although members of the Free State Army attended the special masses. It was apparent that de Valera would not or could not break his affiliation with the I. R. A. and he, if anything, weakened his position by allowing Frank Aiken, Minister of Defense, to announce on Aug. 24 the creation of a fourth army, the National Guard, a sort of training reserve for the Free State Army.

A serious situation has arisen, in which honest intentions are rapidly being submerged in explosive differences. It did not help when the armies were nicknamed Green, Red and White, with the accompanying associations of constitutionalism, communism and fascism. President de Valera himself is in an impossible situation unless he can abolish all these groups except the Free State Army. On Sept. 4 some hecklers disturbed a meeting addressed by ex-President Cosgrave. They were promptly set upon by members of the Army Comrades Association, who drove them off by their fists.

The trade war with the United Kingdom has continued without any positive signs of a truce. The friendly relations between Sean O'Kelly and Sean Lemass and the British delegation at Ottawa raised some hopes of a settlement, but de Valera has indicated no change in his point of view. He has even warned the United Kingdom that if it does not accept his suggestion for discussion, he will have to use the annuities payments which he has been placing in a separate fund. Meanwhile, Irish agriculture, especially the horse and cattle trade, has been hard hit. Irish coal dealers have been warned not to buy British coal as they have been doing, even with a tariff of five shillings a ton. Some German coal has been imported. Many countries are glad to sell to the Irish, but none has proposed to lower its tariffs to be able to buy from them.

The Ottawa settlements were particularly distressing, because the preferences granted there seemed to transfer the natural Irish market in cattle, meat, bacon, butter and eggs to the other dominions. De Valera admitted that substitute markets for England were probably impossible to find. He summoned Dr. James Ryan, Minister of Agriculture, home from Ottawa to announce his new agricultural policy, which guarantees to the Irish farmer a price and a market for wheat and a market for barley and oats. This attempt to shift from cat-

tle to tillage was widely questioned in the light of Irish climatic conditions.

On the industrial side, the picture is not clear. Gallahers, the great tobacconists, have closed their Dublin factory, but two English chocolate manufacturers have decided to open Dublin branches.

*CANADA'S TRADE POSITION*

The diversion of Canadian trade from the United States to Great Britain was marked, even before the preferences arising from the Ottawa conference could be put into effect. For the year 1931-32, as compared with 1929-30, the decline in total Canadian trade with Great Britain was 40.5 per cent and with the United States 56.9 per cent. The new American tariff of June accentuated the tendency. Comparing July, 1932, with July, 1931, Canadian imports from the United States fell from $28,995,000 to $20,291,000, and exports to the United States from $22,054,000 to $12,522,000, whereas imports from the United Kingdom fell only from $8,891,000 to $7,406,000 and exports actually rose from $14,202,000 to $16,047,000. The decline in prices of commodities in which Canada chiefly trades and the raising of her tariff barrier were reflected in Canada's fall from the world's fifth trading nation in 1930 to seventh in 1931.

Canadian exchange rose abruptly in late August from about 87 cents in New York to about 90 cents. Since the amount of licensed gold exports was normal for a month of 1932 at $4,346,500, other causes must have operated. British Columbia sold $2,000,000 worth of bonds in New York at $105.20 and 5 per cent, but the rise in exchange had closer relationship to tourist expenditures and the beginning of the Autumn commodity movement. Grain speculators in the United States have turned to the Winnipeg market because of the greater export movement of Canadian than American grains. The wheat carry-over on July 31 was 131,000,000 bushels as compared with 153,000,000 bushels last year and in August the large new crop began to move smoothly and rapidly. Wheat prices were about 4 or 5 cents better than in 1931.

In Alberta, where the United Farmers' party controls the government, a new Federal party, the Cooperative Commonwealth Federation, was founded during August. Its program is collectivistic and relatively radical and it intends to contest about 250 seats at the next Federal election.

*AUSTRALASIAN AFFAIRS*

By ruthless restriction of imports Australia has achieved a favorable external balance of payments. For 1931-32 the balance of trade is reported to have amounted to $200,000,000, if $30,000,000 of gold exports is taken into account. Even with public debt charges of $135,000,000, the favorable balance of payments still amounted to about $25,000,000. Attention has therefore shifted to the question of foreign indebtedness. In fact, Australia's Ottawa bargain with the United Kingdom has been viewed as a promise to cancel and lower import duties in return for financial help in London. Already many restrictions and duties have been repealed and others sharply reduced. The partial raising on Aug. 29 of the embargo on loans in the London market, on the other hand, permitted the refunding of a New South Wales 5¾ per cent loan due on Nov. 1.

Australia has a war debt in London of £79,724,220 at 4½ per cent. She received about £800,000 annually from reparations toward her annual interest payment of £5,448,300, but the Hoover moratorium was extended by the United Kingdom to the four dominions who owe war debts to her. Now Australia would like to make a new settlement in return for some opening of her markets to Great Britain. Conversion to lower rates of interest appears to be possible.

New Zealand, like Australia, bargained at Ottawa with the United Kingdom for financial consideration in return for tariff reduction. The Minister of Finance and the Secretary of the Treasury went to London after the conference to negotiate a conversion loan in order to lighten an interest burden which has been almost intolerable at a time when the prices of exports were low.

### *THE INDIAN COMMUNAL AWARD*

The settlement of the distribution of constituencies and political representation for a new Federal India, a problem which the Indians have confessed their inability to solve, was announced by Prime Minister MacDonald on Aug. 16. The distribution of races and creeds in the various regions of India creates minorities everywhere, all of which, in their desire for security, have demanded greater representation than their numbers entitle them to. It was certain, therefore, that any relatively equitable award would fail to satisfy Hindus in one place, Moslems in another, Sikhs in still another, and so on. This proved to be true, for following the announcement one group after another expressed its dissatisfaction.

The British scheme—to last ten years—is based upon separate electorates, since no scheme of joint electorates has succeeded in winning any broad support. It was put forward with the warning that it would not be revised in response to any particular criticism, but would be dropped altogether in favor of any substitute agreed upon by the Indians themselves. Representation in all the provincial legislatures is defined. The Untouchables are given some separate electorates, and in regions where they form a majority they are to vote separately. Thirty-seven special constituencies are created for women—25 Hindus, 9 Moslems, 1 Sikh, 1 Indian Christian and 1 Anglo-Indian.

Bengal and the Punjab represent the most serious problem, because the Moslems form 55 per cent of the electorate in one and 56 per cent in the other and they demand majority representation. In the Punjab Sikhs and Moslems struggled in vain for a week during August to reconcile their claims. Ultimately the Moslems were awarded 119 out of 280 Bengal seats, which, with 25 European seats, gave them a majority. In the Punjab they obtained 86 out of 175 seats, with the possibility of controlling 4 more, while the Sikhs got 18.9 per cent, although they represent only 13 per cent of the population. The Hindus, notably those of the Congress party, expressed violent disapproval.

Some of the Moderates, notably Sir Tej Sapru and N. M. Joshi, the Labor leader, announced that they were willing to accept the award in order to take up the remaining constitutional questions. Advantage of this situation was immediately taken by the Indian Government and conversations were begun. The Moderates pointed out that Sir Samuel Hoare's policy of ignoring the Congress party could not continue and would fatally jeopardize any constitutional settlement. The conversations were reported thereupon to have been extended to include the Congress leaders.

Lord Willingdon, the Viceroy, announced on Sept. 5 another change in the policy set forth by Sir Samuel Hoare on June 28. A small round-table conference is to be held in London in November, at which representatives of the States and of British India will attempt to clear up all unsettled points preparatory to the creation of the Parliamentary joint select committee which is to prepare the legislation. Inasmuch as Indian resignations had wrecked the consultative committee to which Sir Samuel Hoare had proposed to refer this work, the new step was almost inevitable.

# Franco-American Trade Parleys

*By* OTHON G. GUERLAC
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THE negotiations which began in Paris on Aug. 22 to effect a commercial treaty between France and the United States replacing the *modus vivendi* renewed every five years on the basis of the convention of 1851 have been followed closely by leading French newspapers. *Le Petit Parisien* on Aug. 28 urged that the most-favored-nation agreement which America seeks should not be granted without substantial concessions in return. Claiming that for forty years France has given in to the United States, with the result that 95 per cent of American products benefit by the minimum tariff and that the commercial balance is increasingly in favor of the United States, the newspaper suggested that the remaining 5 per cent be favored only after American customs regulations on French horticultural products, drugs and various samples have been modified and better protection obtained for French models, designs and commercial labels.

It is likely, however, that France will agree to the demands of the United States presented by Ambassador Edge on Aug. 4. Economic conditions are such that the situation is nearly as critical as it was in 1926, although not for the same reasons. French foreign trade figures in both exports and imports have never been so low as they were in July. Exports have fallen 60 per cent in two years, imports 40 per cent. Income tax receipts for July were more than a billion francs less than those for July, 1931; railroad receipts between Jan. 1 and Aug. 11, 1932, were nearly 17 per cent under those of the corresponding period in 1931. While unemployment has not yet reached the alarming proportions it has assumed in certain other countries, France is experiencing some of the demoralizing effects that the dole produces on the working class. *Le Petit Parisien* has been at some pains to print articles showing how fraud and dishonesty swell the number of recipients of State charity and create a class of proletarian parasites.

### *MONTH OF COMMEMORATIONS*

France witnessed many celebrations and commemorations during the past month—one the dedication of the Thiepval war memorial on Aug. 1, where President Lebrun delivered an address, another at Verdun a week later, where both the President and the Minister of War praised the dead of Douamont. M. Lebrun was present also at the ceremony inaugurating the restored buildings at Albert, although he could not attend the reopening of the magnificent city hall at Arras. Some excitement was caused in Brittany, whence Premier Herriot had gone to speak at the celebration of the four hundredth anniversary of the union of that province with France, when a commemorative monument was blown up by a band of local autonomists whose very existence had hardly been recognized outside the immediate neighborhood.

On Aug. 14 a canal between Thionville and Metz was formally opened in the presence of members of the government, and the occasion was made the excuse for a love feast between the mother country and her long-lost child, the city of Metz. The President, the Minister of Public Works and the

Premier spoke. M. Herriot took the opportunity to remind his audience that war had not been finally exorcised by such treaties as the Kellogg-Briand pact and that undue optimism in this regard could hardly flourish in a city like Metz, so long the pawn of conflicting national rivalries. That very day, as if to justify the Premier's caution, General von Clauss, speaking at Pirmasens in Rhenish Prussia, called for the reconquest of the territory separated from Germany by the Treaty of Versailles, including Alsace-Lorraine itself. It may be imagined how the General's remarks were seized upon by the extreme nationalist elements in France.

### *BUDGETARY DIFFICULTIES*

The government revealed on Aug. 24 that at the end of the fourth month of the fiscal year the revenues of the State were 1,770,000,000 francs (nearly $70,000,000) below the estimates. Immediately the press set up a cry for the reduction of the salaries of public officials, citing the cuts that have been effected in countries such as Italy, Germany and Poland. What the government will propose when Parliament again meets was not revealed, although M. Germain-Martin, the Minister of Finance, speaking in the department of Haute-Loire on Aug. 28, assured his listeners that there would be no recourse to inflationary measures. He spoke in most laudatory terms of Great Britain's recent success in effecting economies in addition to refunding its public debt at a lower rate of interest.

### *FRENCH FARM TROUBLES*

After two bad years the French farmer until recently was in a good frame of mind. Apparently he was going to be able to dispose of his wheat at a profit, and during July there was even some talk of taking measures to prevent an excessive rise in wheat prices. During the first week of August, however, there came a drop of from 50 to 60 francs per quintal—and this apparently without reason, for no data on the size of the harvest were as yet available. In an attempt to forestall disposal of the crop at ruinous prices Abel Gardey, the Minister of Agriculture, urged the farmers in speeches delivered on Aug. 14 and Aug. 28 to make use of all the means that the government had put at their disposal to maintain normal price levels and to defend themselves against middlemen and speculators—to regulate their sales according to the conditions of the market and to avail themselves of the instruments of credit placed at their disposal by the combined action of the Treasury, the Bank of France and the National Agricultural Loan Society. The French farmer, however, is an inveterate individualist and is slow to associate himself with others for the defense of common interests.

### *BELGIAN FISCAL TROUBLES*

The Belgian Government also has been confronted with an embarrassing financial situation, for the deficit seems likely to reach 3,000,000,000 francs (over $80,000,000) if drastic measures are not taken. Finance Minister Renkin expects to save 2,000,000,000 francs by budgetary "compressions" and to obtain the other 1,000,000,000 francs by a new loan. It is reported that large savings may be effected by a revision of the laws regulating pensions; last year it was pointed out by M. Francqui that 95 per cent of the officers in the Belgian Army today are receiving war pensions for invalidity (the report in which this charge was made has not yet been published), and it is said that the suppression of inquiries formerly required into the affairs of beneficiaries of old age pensions has increased the numbers of these pensioners from 200,000 to 350,000.

The miners' strike, which began early in June and seemed to come to an end in mid-July, has continued to

drag on, for the strikers refused to accept the agreements reached in conference with their employers or the proposals made by the Ministry of Labor. Workers in allied trades who had struck in sympathy with their fellows, however, have gone back to their jobs. Thus another aggravating problem remains to be solved by the Renkin Government.

A law liberalizing the Belgian civil code in favor of married women was voted during the last session of Parliament and published on Aug. 20 in the *Moniteur,* the official paper of Belgium. This law, due to the initiative of Minister of Justice Cocq, removes certain discriminations under which, in common with their French sisters, Belgian women had been suffering. Henceforth the wife may call on the courts to permit her to draw on her husband's income for the expenditure of the family if the husband fails, through selfishness or extravagance, to do his duty to his family. The law provides also that the wife need not, in order to open a business or practice a profession, await the consent of her husband; she may appeal to a judge to obtain that right. In the exercise of her profession she may act without permission of her husband. As for her personal estate, the wife may now dispose of it as she pleases, without consulting her husband or obtaining his consent. Thus the legal submission in which wives have been placed by the Napoleonic Code has been removed by a Parliament elected by male suffrage and containing only two members of the feminine sex.

# Hitler's Bid for Supreme Power

*By* SIDNEY B. FAY

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FOLLOWING the Reichstag election of July 31, in which Hitler's National Socialists received 37 per cent of the seats, his followers demanded that he become Chancellor as head of the largest party in the newly elected Legislature. Long negotiations resulted, for the purpose of creating some combination of parties that would form a Cabinet representing the Nazis and other parties with a working majority in the Reichstag. In a momentous meeting on Aug. 13 between Hitler and President von Hindenburg, the latter is said to have asked the Nazi leader whether he and some of his followers would be willing to enter a coalition Cabinet headed by von Papen. Hitler replied that he was not willing, nor were his associates. He requested, on the contrary, that he be given the entire executive power. "And what power exactly do you imply by that request?" the President asked. "I want," Hitler is reported to have said, though the words do not appear in the official communiqué of the interview, "precisely the same power as Mussolini exercised after the March on Rome."

This was too much for the aged President. He rejected positively Hitler's demand, declaring he could not justify himself before his own conscience or in the light of his duty to the Fatherland. He expressed regret that Hitler was unable to support, in accordance with statements he had made before the Reichstag election, a national government appointed by the President, but Hitler still demurred. The conversation ended with an ear-

nest admonition by the President: "You are to be, then, in opposition. I trust that you will oppose in a way that will be chivalrous. And I enjoin you in your future course to keep always in mind your duty to the Fatherland and your responsibility to the German people." Hitler gave no pledge; he bowed, and withdrew to be acclaimed with cries of "Hail, Hitler!" by the waiting crowd outside the President's residence.

Speaking at Berchtesgaden on Aug. 18, Hitler seemed to intimate that, after all, he might be willing to enter a coalition Cabinet if he could be Chancellor. He declared that his reference to Mussolini had been misrepresented, and indicated that he would be satisfied with three-quarters of the Cabinet posts. "According to the rules of democracy," he argued, "any party or group of parties commanding 51 per cent of the electorate can claim the right of having the entire government turned over to them. Our movement at the last election won 37 per cent. This means that of the 51 per cent necessary to take over the government we can furnish about 75 per cent."

But von Papen, who meanwhile had been working out an elaborate plan for economic reconstruction and who felt stronger and absolutely sure of President von Hindenburg's support, replied that Hitler had had his chance and lost it by his extreme demands. Hitler's attacks on the government during the following days in connection with the death sentence on the five Nazis at Beuthen widened the breach between him and the existing "Presidential Cabinet," and apparently ended for the time being any possibility of his taking over a share in the government.

### *POLITICAL VIOLENCE*

At the German town of Beuthen in Silesia, near the Polish frontier, there occurred on Aug. 10 a particularly vicious political assassination—one of the long series of similar outrages which disgraced Germany before and after the recent Reichstag election. A Nazi gang invaded the house of a Communist in the early hours of the morning, shot him in his bed and then kicked and battered his body in the most brutal fashion. At the trial ten days later it was shown that a tavern keeper, one of the gang, was the instigator of the crime and had plied the others with liquor.

The incident occurred ninety minutes after the von Papen Cabinet had promulgated a drastic decree, issued under President von Hindenburg's emergency powers, which sought to curb these political crimes. The decree imposed the death penalty on any one committing homicide from political motives, whether deliberate or not, including attacks on policemen or persons summoned to the aid of the police. The death penalty was also decreed for arson, destruction of property by explosives or the endangering of railway traffic. Penitentiary terms of not less than ten years were decreed against persons committing an act of violence with firearms or assaulting a policeman, provided it resulted in serious injury or death, either to the person attacked or to a third person, and against persons who incite resistance to the police or who commit acts of violence. Penitentiary terms up to ten years were to be the penalty for any one who from political motives inflicted dangerous or severe injury; who committed acts of violence with firearms; who assaulted a policeman; or who invaded private premises with weapon in hand, or with another person, or as participants in a mob gathering. In all the foregoing cases mitigating circumstances were declared to be inadmissible. To deal summarily with such crimes the decree also established special trial courts, which were empowered to refuse to hear evidence for the defense when in their judgment the crime had been thoroughly established and the submission of such evidence would merely delay the decision.

One of the new special courts promptly tried those concerned in the Beuthen affair and in accordance with the new decree imposed a sentence of death on five Hitlerites. When the sentences were announced there was complete silence for a moment in the court room. Then a commander of one of the Nazi "storm detachments" rose and shouted: "The German people in the future will pass different sentences. This Beuthen verdict will become a beacon for German liberty." Thereupon most of the spectators shouted "Hail, Hitler!" and, after a demonstration outside the court house, an excited mob smashed the windows of Centrist and Socialist newspapers and of several Jewish department stores.

For the next ten days Germany faced a serious situation. The Nazi newspapers at once championed the cause of the condemned men. Hitler himself telegraphed to them the day after their conviction: "From this moment your freedom is a question of our honor, and a fight against a government under which this sentence has been possible is our duty." Hans Frank, the Nazi party lawyer, telegraphed President von Hindenburg and Chancellor von Papen, strongly protesting against the death sentences and urging an immediate pardon for the convicted men. On the other hand, the government declared that it must let the law take its course; that it could not stultify itself by virtually nullifying its authority in the first important case to arise under the new decree; that it could not give way in the face of threats from the National Socialists, however strong they might be. The government must be impartial. Its courts had, in fact, also imposed ten-year sentences on several Socialists at Ohlau for firing shots at Nazi demonstrators before the recent anti-terrorist decrees were promulgated.

The government's attitude was officially stated in an effective speech by Chancellor von Papen at Muenster in Westphalia on Aug. 28. "The verdicts at Beuthen and Ohlau," he said, "have been followed by a storm from the Right and the Left against the equitable application of the law. Both sides demand that their political opponents be put beyond the pale of the protection of the law, that in political strife manslaughter and revenge be permissible, and that their opponents be outlawed. This I regard as disgraceful."

Directly attacking Hitler, von Papen continued: "The unrestraint exhibited in the manifesto of the National Socialist leader comports ill with his claims to leadership in the government. I do not concede to him the right to regard that minority which troops behind his banner as 'the German nation' or the right to treat all the rest as outlaws. If, in opposition to Hitler, I stand up for a constitutional commonwealth of the people and for an authoritarian conduct of the government, it is I and not he who stands for what millions of his adherents have ardently desired in their struggle against political party domination, arbitrariness and injustice."

Finally, on Sept. 2, it was announced that the acting Prussian Cabinet, with Chancellor von Papen as Federal Commissioner presiding, had reviewed the case of the five Nazis. In view of the fact that, at the time of their deed, they had no knowledge of the new decree against political terrorism, the sentence was commuted to imprisonment for life. The Berlin *Achtuhr Abendblatt* said: "The whole German people, apart from the National Socialist minority, will approve the decision, which indeed applies clemency, but, by inflicting penitentiary terms for life, emphasizes that political murder must be expunged from Germany."

### *THE REICHSTAG OPENS*

In view of the Beuthen affair, the breach between Hitler and the government and the dire threats of the

Nazis against the Presidency of a Communist at the opening of the Reichstag, it had been feared that the first session on Aug. 30 might prove stormy. But it turned out otherwise; in part, perhaps, because von Papen had visited President von Hindenburg at his home in Neudeck, East Prussia, and was believed to have in his pocket a signed authorization for the dissolution of the Reichstag in case the National Socialists or other parties should attempt a no-confidence motion or create other trouble. But the Hitlerites had no desire for another immediate Reichstag election in which they were not likely to make further gains.

The Reichstag rules provide that a new session shall be called to order by the oldest member. The honor fell to Frau Clara Zetkin, a Communist who had returned for the purpose from Moscow. A wisp of a woman clad in dark gray, with thin gray hair drawn back from a pale, sharp face, she advanced to the Speaker's desk, leaning on a stick, and rang the Speaker's bell. "I was born on July 5, 1857. Is there any one here older?" she asked, turning defiantly to the brown-shirted Nazis occupying a full third of the seats. There was no response. "Then I call this session to order," she declared.

Frau Zetkin had been urged, unsuccessfully, to avoid controversial matters in her opening address, but for more than half an hour she inveighed against President von Hindenburg, the Cabinet, the Social Democrats, the Centrists, the National Socialists, capitalism and militarism—against everything, in fact, except communism. She was heard in silence except for occasional murmurs of approval from her fellow Communists When she had finished a strong voice from the Nazi benches chanted the first line of a popular song, "It happens only once."

After this dramatic opening the Reichstag proceeded quietly to its first regular business, the choosing of its permanent officers and committees. A Centrist nominated Captain Hermann Goering, a Hitler lieutenant, as President, and he was elected by 367 out of 583 ballots. Three Vice Presidents were then chosen—Thomas Esser, a Centrist; Walther Graefe, a Nationalist; and Hans Rauch of the Bavarian People's party. After some further organization business the Reichstag adjourned to meet again on Sept. 12. So far the expected clash between parties, or between the von Papan Cabinet and the Legislature, had been avoided.

### *VON PAPEN'S PROGRAM*

Chancellor von Papen, speaking before the Westphalian Peasants' Congress at Muenster on Aug. 28, outlined the government's ingenious plan for dealing with unemployment and the economic depression. As explained further in later speeches by Hermann Warmbold, Minister of Economics, its purpose is "the reanimation of industry," and is not unlike the idea underlying the American Reconstruction Finance Corporation, in that it provides, in essence, for immediate loans to industry out of the public treasury. It partially mortgages government revenues for the five years from 1933 to 1938, for the sake of stimulating business and reducing unemployment during coming months. If the expected economic recovery is realized, it will be easy for the government to repay in more prosperous years the small mortgage upon its future revenues.

The new scheme was decreed by President von Hindenburg on Sept. 5, without being submitted to the Reichstag for approval, and is to become effective on Oct. 1. Whether the Reichstag would have approved it is uncertain, but at any rate it appears to have had an excellent psychological effect on business. The industrial and banking classes commended the

plan, while stock prices on the Berlin Boerse rose in a fashion unparalleled since the announcement of President Hoover's moratorium more than a year ago.

The new scheme makes available about $720,000,000 at once for stimulating business and reducing unemployment. A quarter of this amount, $180,000,000, is to be appropriated by the government to provide immediate employment on productive public works, such as the reclamation of lands, the extension of inland waterways and road construction. The novelty of the program is to be found in the remaining clauses.

Approximately $180,000,000 is to be given as a direct subsidy to business to promote employment. Out of this sum the government will give industrialists $100 for every new workman employed. On this basis it is calculated that employment will be furnished to 1,375,000 workingmen who are now idle or who receive a government dole. This grant from the public funds will be virtually self-liquidating, it is hoped, because the Reich's budget will save more than $25 in doles for each new man employed, the annual dole expenditure on each idle man being slightly in excess of $125. Furthermore, besides saving on doles, the State will be able, when employment becomes more general, to collect more taxes because the industries now shut down will reopen or expand and the new production will automatically bear the taxes. Of course the government must face the risk of dishonest collusion, whereby one employer would pocket $100 per head and take on more employes while agreeing with another employer in the same business to discharge some of his men.

The remaining half of the new funds made available, $360,000,000, will provide the most radical part of the new scheme. The government is to issue tax-remission certificates for this amount, redeemable in the five years between Oct. 1, 1934, and 1938. These certificates, which carry interest-bearing coupons at the rate of 4 per cent, are to be given as a virtual subsidy to business men on the assumption that they will be used to finance work involving additional employment. The Reich undertakes to receive them in payment of taxes between 1934 and 1938. They will also be discounted by banks and dealt in on the Berlin Boerse, thus providing that amount of new credit available for reviving business. In a sense they are a mild form of controlled inflation. The government believes that the day for necessary plant replacement has arrived and that the funds supplied through these tax-remission certificates will be used for improving the liquidity of business and reviving industry.

The advantage for the Reich is that, while making a gift of $360,000,000 to business, it will suffer no financial loss for the coming twelve months, when the budget will continue to be strained. The loss is postponed from 1934 to 1938, when it is assumed that the budget will be satisfactory. The advantage to business is that the tax certificates, being loanable or salable, are as good as a direct cash subsidy from the Reich.

Three categories of taxes will be reduced 40 per cent by the new tax-remission scheme—the turnover tax, the real estate tax and the commercial tax. To a business man paying a total of about $340 in the next twelve months, $160 will be refunded in tax-remission certificates. The Reich will refund about $42,500,000 of the transportation tax, which is now being paid almost exclusively by the Federal Railways, thus enabling them to proceed with their delayed improvement program.

Among the further provisions of the new decree, the details of which are not available at the moment, are measures which may not be so favorable for the workingman. These relate to a revision of the existing union wage scales to permit the absorption

of unemployed labor, the establishment of import contingents for agrarian produce, the early institution of restricted quotas for industrial commodities, and the reform of unemployment and social insurance benefits.

Along with these measures, which are primarily aimed at improving the internal economic and financial condition of Germany, Chancellor von Papen has also taken steps to offset the fall of Germany's surplus of exports over imports below the needs for meeting the demands for interest and principal payments on her foreign loans. The import duty on typewriters, accounting machines, and some other commodities imported mainly from the United States has been sharply increased. He has also applied to the United States, as he is entitled to do under the agreement of 1930, for a postponement for two and a half years of the payments for damage done to American property during the war and for the cost of the American troops of occupation.

*DEATH OF DR. SCHOBER*

Within scarcely more than a fortnight after the death of Mgr. Seipel, who saved Austria from financial collapse in 1922, came the death on Aug. 19 of Dr. Johann Schober. Dr. Schober had twice been Austrian Chancellor—in 1921-22, when he concluded a reconciliation treaty with Czechoslovakia, and in 1929-30, when he made with Germany the ill-fated proposal for an economic union between the two countries.

Dr. Schober had been a determined opponent of the Lausanne protocol and the accompanying loan proposal by which Austria agreed to refrain until 1952 from any political or economic union with Germany. Just as Mgr. Seipel's illness and death enabled the present Dollfuss Cabinet to appoint a successor to Dr. Seipel and thereby prevent the Pan-Germans by one vote from overthrowing the Cabinet which had signed the Lausanne protocol and loan agreement, so Dr. Schober's death enabled it on Aug. 23, by a vote of 82 to 80, to secure the ratification of these measures. The ratification was denounced by the Pan-Germans as a relinquishment of Austrian independence to France. But it is hoped that when it has been ratified by the other signatory powers it will make it possible for Austria to pay the interest on the earlier League of Nations loans of 1922 and 1930 and to meet her other foreign obligations.

# Italy in Bellicose Mood

*By* WILLIAM E. LINGELBACH
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ITALY has reversed her consistent attitude for disarmament by breaking with Great Britain and France at the Geneva Conference over President Hoover's proposals. After lukewarm and hostile speeches by the spokesmen of these two powers and Japan, Dino Grandi won the enthusiastic applause of the galleries and the representatives of nearly all the other States by emphatically announcing that, having had time to consult the head of his government, he wished to proclaim Italy's whole-hearted adherence to the American plan. The announcement was in entire accord with Italy's policy of the last few years, and an index of the Duce's indignation over what the Fascists describe as the chicanery of the powers in con-

nection with the conference, particularly the Anglo-French Entente, which the Fascist press has dubbed the "Entente Infernale." Italians also resent what they describe as the deliberate falsification by influential French and British journals of the facts concerning Italy's naval construction program. The entire program, they claim, is in accord with the London Conference and not in any way secret, new or aggressive.

Coupled with the Duce's recent warlike utterances, the hostile attitude of the Fascist press takes on a further significance through the extraordinary character and unprecedented scale of the military and naval manoeuvres during August. This demonstration of militarism is regarded by the Fascists as a notification to the world that Italy believes the prospects of disarmament through the Geneva Conference to be hopeless, and that if France continues to use the plea of security to block disarmament, Italy also must look to her own safety. To French and British criticism that the manoeuvres were unnecessarily flamboyant, the Fascist press retorts that the two countries chiefly responsible for the failure of the Disarmament Conference should have no reason for surprise.

Immediately after the manoeuvres the government announced that fifty-one of the older naval vessels—more than 130,000 tons of fighting ships—would be retired. At the same time, a complete reorganization of the navy was ordered for the purposes of increased efficiency. The plan involves two squadrons, the first of seven 10,000-ton cruisers built within the last three years, with its base at Spezia—the strategic point with respect to France; the second of six 5,000-ton cruisers built during the last two years, with a base at Taranto—with French colonial communications and Yugoslavia as its objectives. By giving up the battleships and concentrating on cruisers, Italian naval experts believe they will have a faster and therefore more efficient fleet. At the same time, the new plan will be more economical.

Achille Starace, secretary of the Fascist party, issued an order on Aug. 29 that henceforth the "Shouted Fascist Salute" was to be reserved exclusively for Mussolini. The order also provides that Fascisti must rise before giving the Roman Salute and that only "songs of the revolution" shall be used by Fascist troops on the march. Two days earlier it was announced that on Oct. 27, the day before the end of the first decade of the Fascist régime, a votive chapel in honor of 500 martyrs of the Fascist cause would be dedicated in the Littorio Palace, the headquarters of the party.

In economic matters, Mussolini has again warned the Italian people that prosperity must not be looked for "in the next few months." Nevertheless, the "Battle of the Wheat," which he began in 1925, is being won. Although wet weather impaired many other crops, wheat escaped, and this year's yield, estimated at 260,000,000 bushels, will approach the bumper crop of 1929. Before 1925 Italy had only once produced more than 200,000,000 bushels; since then the harvest has fallen below that figure only once.

To stimulate production in other lines, increased duties on many foodstuffs imported from abroad were announced during August. Some American exports, particularly frozen meat, lard, prunes and other dried fruits, will be affected. Although agricultural interests were promised increased protection a year ago, the new tariff was inoperative until Aug. 31 of this year, when certain existing treaties expired. The drift to higher protective duties is in direct response to the ultra-protective tariffs in France, Belgium, Germany, Spain and the United States, which have closed many markets to Italian agricultural products.

Although improvement in unemployment appeared during the Spring, the number out of work has again increased, reaching a total of 931,291, nearly 300,000 more than the number of unemployed at the same time last year. The prospect for the Autumn and Winter is therefore serious, the more so since the budget for the first month of the present fiscal year showed a deficit of $18,000,000. On the other hand, this is offset by the fact that about one-fourth of the recent loan of $210,000,000 has been turned over to the credit of the Ministry of Public Works for unemployment relief. On this basis the Ministry is letting contracts for extensive public works in the regions where unemployment is greatest, and bringing pressure to bear upon provinces and municipalities to extend their programs for public works to the limit of their financial resources.

As is well known, relief work is one of the chief concerns of the Fascist party. A recent pronouncement on the abolition of the propaganda units surveyed the relief accomplished during the Summer and the still more extensive plans for the coming Winter. Fascism proceeds on the principle of finding jobs for the unemployed rather than distributing doles. Altogether only about one-fourth of the unemployed are entitled to unemployment insurance benefits. Jobs must therefore be found for the remainder or they must be supported by public or private charity. A small tax on all restaurants, cafés and hotel bills, from which foreigners are exempt, is expected to raise a considerable sum.

A further striking evidence of Mussolini's domination of Italian affairs appeared early in August in the announcement that the major labor disputes which had been before the Ministry of Corporations for nearly a decade had been settled. They concern the wages and "the more-looms-a-weaver problem" of textile workers, the control of wages, and so on, of piece workers employed in their own homes, and the wages of sulphur miners in Sicily.

The wage dispute between the mill owners and the textile workers was settled by Mussolini, who has been Minister of Corporations since the department was established, by allowing a wage cut of 10 per cent for the highest paid weavers and a graduated reduction for the others. The solution of the "more-looms-a-weaver problem" he found in a system of bonuses based on the type of loom and the number of looms assigned to each worker. On the difficult question of who should control the domestic piece workers he announced that under the Charter of Labor (1927) the syndicates had the right to regulate wages and conditions of work. For the sulphur miners there seemed no solution except recognition of a drastic wage cut which in some cases was equal to 50 per cent.

Mussolini's dramatic assertion of his personal leadership by the dismissal of five of the leading Fascist Ministers and eleven under-secretaries, late in July, was followed on Aug. 11 by a sweeping shift in Italy's consular and diplomatic service. Over thirty changes were announced. To Americans, the appointment of Augusto Rosso as Ambassador to the United States, replacing Nobile Giacomo de Martino, since 1925 Italian Ambassador to this country and closely associated with Count Volpi in the negotiations for the funding of the Italian war debt, is of special interest.

### *ROYALIST FAILURE IN SPAIN*

With the occupation of Seville by republican forces and the capture of General Sanjurjo at Huelva, near the Portuguese frontier, on Aug. 11, the royalist uprising in Spain collapsed. (See CURRENT HISTORY for September, page 740.) The General himself was brought back to Madrid on the night of Aug. 11 and spirited into police headquarters by Major Menendez Lopez, the Director of Public Safety. Along with other leaders in the revolt,

he was arraigned before the section of the Supreme Court devoted to military affairs on the charge of treason against the republic. General Aragon, the public prosecutor, demanded the death penalty for Sanjurjo and life imprisonment for his subordinates.

After a brief but dramatic trial, the court pronounced the death sentence. The Cabinet at once took the matter under consideration. Despite the violent opposition of the Left, commutation to life imprisonment was recommended and President Zamora acted accordingly. By its policy of moderation the Azaña government again showed good strategy. The popularity of General Sanjurjo and his own claim that he had acted to save the republic from the Left, and that his action had "nothing to do with the monarchist rising in Madrid," contributed toward general approval of the modification of the sentence. It is, moreover, more in keeping with the new reforms of the old penal code of 1870, which suppressed the death penalty and reduced the maximum prison sentence to twenty years.

The abortive revolt has greatly weakened the parties of the Right and proportionately strengthened the position of the government. Leading conservative newspapers, including *ABC, Internaciones, El Debate* and *La Nacion,* have been suspended. On Aug. 13, while the rebels were being stripped of their honors and uniforms in Seville, President Zamora, amid the applause of more than 100,000 of the populace of Madrid assembled in the Retiro Park, conferred honors upon officials and others who had shown zeal in the defense of the republic.

The royalist uprising brought out the fact already known, but more or less overlooked for the moment, that the old aristocracy was in general hostile to the republic. Many of them have been implicated in the revolt, and more than 100 have been arrested. Within a week after the uprising the Duke of Fernan-Menez, with scores of others of Spain's proud and exclusive aristocracy, found themselves in prison. Even the Duke of Alba, descendant of the Alba of Philip II's time, was not spared. Meanwhile, scores of de luxe automobiles were parked in front of Madrid's model prison, where many of Spain's proudest nobility are now in cells formerly occupied by the republican rulers of present-day Spain.

The Cortes on Aug. 20 voted to legalize the seizure of estates and other property of those implicated in the uprising. Although confiscation under charges of treason does not imply that Spain is following the example of Russia in the socialization of land, it is placing in the hands of the government thousands of acres until now tenaciously held by the powerful landed aristocracy.

On Sept. 9 the Cortes gave final approval to the communal land bill which provides for the distribution in community form—under the direction of an agrarian institute—of about 52,000,000 acres formerly held in large estates by the Crown or under royal grant. Settlers on the land will be aided with government funds. Eventually 1,000,000 individuals are expected to benefit from the scheme, which also establishes cooperative agricultural associations of various sorts.

The attitude of the army also has again come up for scrutiny. During the excitement over the uprising, the Left urged that drastic measures be taken, and that all officers who had served under the old régime be dismissed. A bill was actually formulated for the dissolution of the entire army as the most effective means of destroying what the Left regards as the most potential weapon of the once-privileged groups. Although Premier Azaña opposed these drastic proposals, he has approved a considerable shift in the personnel of officers, and is apparently in thorough accord with the bill introduced late in the

month involving radical reforms in the diplomatic and consular service. The action, according to press reports, has arisen from the growing conviction that the diplomats, many of whom belong to the old aristocracy, have been out of sympathy with the republic and have been misrepresenting it abroad.

After many months of heated debate and popular agitation, the Cortes, on Sept. 8, adopted the final article of the Catalan Statute and formally ratified the entire Statute the following day. As a result of this act Catalonia will, subject to certain restrictions, become an autonomous State within the Spanish Republic. The final adoption of the Statute was a cause for great rejoicing in Catalonia, although many Spaniards regard the action as a step toward the dissolution of the unity of the Spanish State which was achieved by Ferdinand and Isabella nearly three and a half centuries ago; in any event, Spain is attempting a new solution to a minorities problem which caused constant strife for over fifty years.

Fernando de los Rios, Minister of Education, has announced that the government has decided to borrow $40,000,000 to enable it to carry out its school building program. Everything is being done not only to create a national system of education but to overcome the illiteracy which still holds nearly 60 per cent of the population in its grip. "With these new schools," the Minister declared, "we hope to lay the foundations of a new nation." The plan involves the building of 20,000 new schools over a period of four years.

# Military Threat to Greek Republic

*By* Frederic A. Ogg

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THE political situation in Greece during August was perceptibly colored by the approach of the general elections which were scheduled for Sept. 25. Premier Venizelos on Aug. 15 categorically denied reports that his government was about to resign in favor of a military dictatorship as a means of preventing a possible Royalist victory at the elections. The rumors, he said, were designed merely for the purpose of creating a feverish pre-election atmosphere.

A few days later, the Opposition, led by former Premiers Kafandaris, Papanastasiou and Tsaldaris, launched a violent press campaign against the government on the ground that Venizelos had prejudiced his official position by asserting that in the event of a Royalist victory in the elections, he would not restrain the army from intervening in behalf of a continuance of the republic. The Premier, replying on Aug. 22, conceded that the republican régime was in danger. He recalled the fact that the army has several times in the past taken an active hand in politics, and asserted that while he would not permit it to interfere during the elections, he might find it advisable to support the republic with armed force if the results proved adverse.

But by Sept. 7 it was not clear whether Venizelos would be able to control the Military League and prevent a military coup d'état which would call off the elections and set up a military dictatorship. Party feeling has been intense and attacks upon Venizelos by the Royalist leader, Panayoti Tsaldaris, were so extreme that on Sept. 8 the Premier offered his

resignation to President Zaimis but it was refused and he continued in office. The Premier at the same time assured the President that there was no immediate danger of a revolt in Greece and that the elections would be held as scheduled.

### *POLISH PACTS WITH DANZIG*

The efforts of Count Manfred Gravina, League of Nations Commissioner at Danzig, to bring about better relations between the Free City and Poland resulted on Aug. 13 in two significant protocols, signed by Dr. Ernest Ziehm, President of the Danzig Senate, and Dr. Casimir Papee, Poland's diplomatic representative at Danzig. The first agreement related to the entry of Polish naval units into the harbor of Danzig, a matter of dispute since August, 1931, when Danzig denounced a former agreement, and especially during the past Summer, when several unpleasant incidents arose in connection with visits from British and German fleets. Danzig has desired to treat Polish naval units as wholly foreign and entitled to enter her harbor only with permission of the Senate. Poland, on the other hand, demanded free and unconditional entry. The new agreement stipulates that Polish naval units may enter Danzig Harbor after notifying the Chief Pilot under the Council of the Port, a body on which Poland and Danzig have equal representation; and that there shall be no restriction on the number of units simultaneously entering the port or on the length of their stay. The settlement, which is for three years, is substantially a victory for Poland.

The second agreement binds the two States to discourage all unfriendly manifestations and activities by the citizens of one toward those of the other. The Warsaw Government will be expected to work for the discontinuance of the present Polish boycott of Danzig products and shore resorts, while the Danzig authorities will seek to prevent attacks on Polish citizens within the Free City. This settlement, also for three years, but renewable, is expected to relieve Danzig economic life from its present paralysis.

Clashes between Polish authorities and Ukrainian peasants dwelling in Eastern Poland have been recurrent in recent years, and it has now become known that a serious rising was put down in Polesta in early August. As on previous occasions, the peasants refused to pay taxes and engaged in other forms of anti-State activity; and, as before, the police, reinforced by soldiery, quelled the movement, ferreting out and dispersing hostile bands that had taken refuge in the forests. Ukrainian representatives have declared that they will bring the matter before Parliament and the League of Nations.

### *THE DEPRESSION IN CZECHOSLOVAKIA*

In Czechoslovakia, as in other Central European countries, the economic situation, apart from seasonal changes, shows no genuine improvement and continues to color practically all aspects of State policy. The number of unemployed, though slightly reduced, is larger than in any period of the country's history, and adequate relief measures, combined with the maintenance of a balanced budget, have subjected the entire economic organism of the republic to unprecedented strain. The stability of the currency has, however, been upheld, and the Minister of Finance holds out the prospect of a balanced budget, not only in the current year, but also in the year to follow. Drastic economies have largely offset the decline in the yield of taxes, and the general financial and economic structure of the country is regarded as sound.

Considerable interest was aroused during August by the trial, in the criminal court in Brno, Moravia, of seven young Germans of Czechoslovakian nationality on a charge of conspiracy against the republic. The ac-

cused were members of a German-Bohemian "National-Socialist" association called Volkssport, and were charged with having organized a movement, identical with that of the Nazis in Germany, for the purpose of joining Austria in the "Third Reich" if the Nazis should come into power in Germany.

### HUNGARIAN FINANCIAL BREAKDOWN

The Hungarian Government announced, after payment of the annuity on the international loan of 1924 authorized by the League of Nations, that the transfer moratorium of Dec. 2, 1931, from which this particular loan was exempted, would be broadened to include it also. The League, in a public letter, declared that this decision had created a painful impression, and in reply the Hungarian Government expressed renewed appreciation of the League's good offices at a moment of peculiar stress, but asserted that a shortage of foreign bills made discontinuance of interest payments unavoidable. It was added that payments could, however, be resumed if the trustees of the loan would permit them to be made from the reserve fund originally established for amortization.

Animated discussion was aroused late in August by Lord Rothermere's revelation in London that several years ago the late Eugene Rakosi, poet and publicist, "offered" him the throne of Hungary. The *Pester Lloyd* and other journals took the matter lightly, remarking that in view of the enthusiasm which once prevailed in Hungary over Lord Rothemere's warm-hearted espousal of the Hungarian cause, it was not surprising that the romantic idea of offering him the kingship of the country should have occurred to certain persons of somewhat sentimental propensities. Legitimist papers, however, professed deep indignation, and the Nationalist organ, *Magyarság*, declared that the country should be grateful that the names of the persons who had the effrontery to try to sell Hungary's crown for British gold had at last become known.

The Károlyi Government suffered a blow to its prestige when, on Aug. 28, Emil Purgly, Minister of Agriculture, was defeated in a by-election in Mezösat by Dr. Tibor Eckhardt, former Minister of Press Affairs and now leader of the small landowners' opposition party. The election is reported as having "proceeded peacefully under guard of gendarmes and soldiers armed with rifles and fixed bayonets, hand grenades and machine guns."

### RUMANIA'S NEW CABINET

The provisional National Peasant Cabinet of Dr. Alexander Vaida-Voevod, which had held office since the Rumanian general election of July 17, resigned on Aug. 10, and ex-Premier Maniu was again invited by King Carol to head a new Ministry. Pleading personal reasons, Dr. Maniu, however, refused, and as a result Dr. Vaida-Voevod formed a government which included a number of National Peasant leaders who had been left out of the preceding Cabinet.

Dr. Maniu's actual motives in abstaining from office were the subject of a good deal of speculation, especially as he made it plain that he expected to continue the active leadership of the party which he resumed some months ago. A plausible explanation was that he looked forward to playing the rôle of umpire between a Ministry which had his full endorsement and a monarch whose conception of royal prerogatives promised to clash with the constitutional doctrines of the governing party. At all events, an arrangement under which the leadership of this party was vested in one person and the premiership in another, even though the two men were friends of forty years' standing, seemed likely to be worth watching.

As officially communicated to Par-

liament on Aug. 12, the program of the new government, though denounced by the Opposition as vague, contained a number of sound and urgently needed reforms. Prominent in it were the cessation of useless public expenditures, reduction of agricultural and direct taxation, improvement of railway transportation and of ports, increased administrative decentralization, reorganization of the oil industry to facilitate domestic consumption, modification of the electoral law, restoration of the country's finances with the cooperation of the League of Nations, and the continuation of a peaceful foreign policy.

The new government has requested of the League of Nations an expert report on the country's finances like that prepared some time ago for Hungary, and on lines more or less similar to those followed in a critical examination already made by Charles Rist for the French Government. At the beginning of September the League sent to Bucharest a group of experts whose report was expected to be ready for submission to the next League Assembly.

### *BULGARIAN AFFAIRS*

A provisional commercial agreement between Bulgaria and the United States was signed in Sofia on Aug. 18, providing for both reciprocal and unconditional most-favored-nation treatment. The agreement became operative on the day of signature, and, unless sooner terminated by mutual agreement, is to remain in effect pending the negotiation of a definitive treaty of commerce and navigation between the two countries.

Bloody clashes between the Protogerov and Michailov factions of Macedonian revolutionaries have continued to disturb the peace of Bulgaria. The most recent, occurring in a main street of Sofia on the night of Aug. 17, resulted in the wounding of ten persons and the arrest of four Protogerovists, including the leader, Glavintschev.

# Finland Under the New Liquor Law

*By* RALPH THOMPSON

NEARLY six months have passed since Finland again became legally wet, so that it becomes possible to gain some idea of how the new liquor system is working. The most striking news from Helsinki in this regard is that bootleggers have not been ousted by the return of legal liquor sales; they are still patronized by portions of the public for the excellent reason that their prices are lower than those of the State alcohol company, which enjoys a monopoly of the legal trade. Inasmuch as the law stipulates that the sale of alcoholic beverages "shall be so regulated that illegal commerce will be checked," it is apparent that the official prices will have to come down, at least until the bootleggers are forced out of business. Kvösti Jaerwinen, Minister of Finance, has publicly admitted this necessity. There is the danger, however, that decreased prices will increase consumption—a result which conscientious persons would like to avoid.

How profitable the regulated liquor trade of Finland will eventually be is not as yet known; estimates made during the first month's operation of the State alcohol company foresaw an annual total market of 300,000,000 finmarks ($7,500,000). It will be a task, in any case, to compete with the smugglers, who avoid the tariff levied

on foreign liquors and can thus sell very cheaply, but it is felt that the competition can be met by the government.

The dividends of the State alcohol company are fixed at 7 per cent on the capital of $500,000, and most of this will go to the Finnish Government, which owns a controlling interest in the business. Profits in excess of 7 per cent, after a reasonable transfer has been made to reserves, are to be handed over to the State for distribution as follows: 35 per cent for the promotion of temperance, the care of dipsomaniacs, the prevention of illicit trade in alcohol and the augmentation of the Old Age and Disablement Insurance Fund; 35 per cent for other State expenditures, and 30 per cent for division among communes in which alcoholic beverages are neither sold nor served, in proportion to their population.

The abandonment of prohibition in Finland has not induced an orgy of drunkenness; most observers agree that there is less intemperance and disorder than formerly, although it has been pointed out that this may be partly due to the decreased purchasing power consequent upon the depression. During May, 1932, it was announced that arrests for intoxication had fallen off 50 per cent. There still remain, however, some 20,000 offenders convicted under the recent prohibition law who—partly because of congestion in the prisons and economic difficulties — have not yet served their sentences or paid their fines. Reports from Helsinki on Sept. 8 stated that a proposal of amnesty for these persons had been introduced into the Diet by the government on the grounds that money would be saved and the government would be relieved of an embarrassing and difficult duty, and that, since the nation had shown that it no longer believed that drinking was a crime, those who had at one time been arrested for overindulgence should no longer be considered guilty. Rum-runners and illicit distillers would not be included in the amnesty.

### *FINLAND'S ECONOMIC CONDITION*

It is generally believed that during the past three years the monetary value of the world's trade has been reduced by one-half, but certain northern nations have not suffered so great a loss. Finland, Sweden, Norway and Denmark, while considerably below 1929 levels, have borne up comparatively well. According to *Unitas,* a quarterly review of trade conditions in Finland, however, of these four nations only Finland and Norway have maintained during the first half of 1932 a favorable balance of trade, the figures for Finland revealing a notable excess of exports over imports in both monetary value and volume. The volume of Finnish imports has been falling steadily since 1929 and is now less than one-half of what it was in that year. The volume of exports, on the other hand, is larger than in 1929.

The reduction in imports is mainly due to the reduced purchasing power of the country, but increased domestic production and higher duties have also contributed. Imports of foodstuffs and luxuries have decreased in quantity 50 per cent, raw materials and semi-finished products between 20 and 25 per cent, machinery about 75 per cent (in the case of motor cars and agricultural machinery, 85 and 95 per cent, respectively), and manufactured goods, 60 per cent. In the case of such luxuries as pianos, the decrease has run as high as 98 per cent.

Exports from Finland have broadened less spectacularly than the imports have decreased, but the movement has none the less been of prime importance to a small debtor State such as Finland. Shipments abroad of sawn and round timber, which in the past have represented over two-

fifths of the value of the nation's exports, have been reduced in quantity over 30 per cent—mainly because of competition from Russia. Nevertheless, paper and pulp exports have increased in quantity about 33 per cent, animal foodstuffs nearly 15 per cent, and plywood and matches by 13 and 30 per cent, respectively.

Business conditions within the country at the end of the half year were not unfavorable. The accumulation of capital in the banks had nearly ceased by the end of June, but interest rates were lowered by financial institutions. The value of industrial output had risen during the second quarter from 77 to 83 (1926=100), despite the fall in prices; home trade had shown an increase in sales from 83 to 97 (1926=100), and protested bills and bankruptcies had decreased in number. The general commodity price index for the half year stood at 90, as compared to 84 in 1931, 90 for 1930 and 100 for 1926. The number of unemployed at the end of June was 12,700, showing a continued decrease from the high of 21,000 registered at the end of January, 1932. The corresponding figures for June, 1930, and June, 1931, were 3,300 and 6,300, respectively. These figures include only those persons registered in communal labor exchanges and are symptomatic rather than complete.

A recent report by the Finnish State Railways indicates that passenger traffic to the close of 1931 had fallen off about 17 per cent since 1928—largely among first and second class passengers. Receipts from first and second class had decreased over 35 per cent.

Emigration from Finland during 1931 was the lowest ever recorded, according to a recently published report. Only 741 persons left the country to establish residence elsewhere, as compared with nearly 4,000 in 1930 and over 6,000 in 1929. Canada and the United States, especially the former, have heretofore attracted the mass of Finnish emigrants; but of the small number who left their homeland in 1931 the majority went to European countries, only 163 entering the United States and 83 going to Canada.

*LITHUANIAN AFFAIRS*

According to the Lithuanian Telegraph Agency bulletin for September, Lithuanian industry is developing rapidly under the pressure of an increasing domestic demand for its products, although it now employs only about 10 per cent of the population. New textile factories have been recently opened, the first large sugar refinery began operations about a year ago, and a cement factory is projected. A large hydroelectric station on the Niemen River is to furnish power for these developments.

The Lithuanian State is a participant in many of the country's enterprises, having come to their aid after private capital had been wiped out as a result of the war and Germany's post-war inflation. Railways, posts, telegraphs and telephones are State-controlled, while the government's share in various private companies is large. In 1931 there were 121 joint stock companies in Lithuania, with a total capitalization of 134,000,000 litas ($13,400,000). Of this sum the share of the State was over $10,000,000.

The foreign debt of the Lithuanian State on Jan. 1, 1932, amounted to nearly $12,500,000. Of this sum the greater part is owed in the United States—$1,800,000 in the form of a loan raised in 1919 among Lithuanian-Americans and over $6,000,000 due to the American Government for goods bought from the American War Liquidation Commission. A loan of $6,000,000 was granted by the Swedish Match Trust in 1930 in return for the national match monopoly, but only two-thirds of this has been advanced because of the difficulties that have arisen since the death of Ivar Kreuger. The Lithuanian domestic debt is less than $85,000.

# The Soviet Agrarian Breakdown

By EDGAR S. FURNISS
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THE final year of the Soviet Five-Year Program, now nearing its close, will be distinguished by changes of policy so far-reaching as to indicate a new line of future development for the Soviet economic system. The underlying cause is the agrarian situation, which has taken on a new and startling aspect since 1930, when the triumphant sweep of the collectivist program seemed destined to place the Soviet Union in the forefront of agricultural nations. For many months Russia has been suffering from a severe food shortage which has kept the population of all the industrial districts upon short rations and in some centres has produced a real dearth. Meat and animal products are particularly scarce, the result of the "slaughter campaign" of two years ago when the peasants destroyed over a third of the nation's supply of live stock to prevent its forcible seizure by the Communist authorities.

Some months ago, when the Soviet Government became aware that drastic action was necessary to prevent a crisis, a special commission of the Communist party was appointed under Stalin's chairmanship to survey the problem and devise remedies. The commission was confronted with the necessity either of employing coercive measures in the hope of compelling the peasants to produce and turn over to the government agencies increasing supplies of foodstuffs or of devising some sort of appeal to the self-interest of the vast agrarian population. Convinced by recent painful experience that coercion is a dangerous two-edged weapon, the commission recommended the second of these two courses, proposing that such changes be made in the market policy of the government as would give scope to the profit-seeking motives of the food producers.

The program of forced socialization epitomized in the Five-Year Plan was based upon a policy of strict control, not only of productive enterprise in industry and agriculture, but also of the entire marketing structure of the country. Monopoly of the market was in many ways an essential element of the program. It enabled the government to crush out the private enterprises called into existence by Lenin's New Economic Policy; it underlay the policy of price fixing essential to a planned economy; it was the medium through which the nation's rulers could bring economic compulsion to bear upon the mass of common people. But the policy threw upon the official Commissariat of Supplies and the politically controlled cooperatives the task of providing for the daily needs of an urban population which was increasing at the rate of 5,000,000 a year; and this mechanism was in imminent danger of collapse principally because of its failure to win the cooperation of the peasants upon whose willingness to provide a surplus of food stuffs at arbitrary prices the whole policy rested.

Apparently the original intention of the commission in proposing a relaxation of the market monopoly was not a complete and final surrender of this basic policy but a compromise which would be both partial and temporary. In reality, however, one concession has led to another until the cumulative effect of the series of opportunistic compromises has been little short of revolutionary.

The first tentative beginnings of the new policy were embodied in the decrees of May 6 and 10. Under them business relations between the peasants and the government were placed on a new basis. The amount of grain required to be turned over to the government agencies during the present year was sharply reduced, and the amount of meat was cut in half. An open market was established for meat and grain in excess of these requisitions, so that the peasants were at liberty to sell at competitive prices to any buyer other than a speculator. Later decrees widened the range of the open market to include vegetables, fruit, butter, eggs, milk—in fact, all forms of farm produce. These measures having failed to provide an immediate supply of food for the cities, they were reinforced by other decrees designed to tempt the peasant to take advantage of his new opportunities for profit.

The newly established market was made tax exempt except for certain small charges necessary for the upkeep of the market places, and the profits from the trade were declared exempt from the income tax. The rule that only surpluses remaining after a full discharge of the government requisition might be marketed was nullified by later orders to local officials urging that the new system be put into effect without delay and without supervision of the supplies brought to market by the peasants. The original intent that middlemen and speculators should be excluded from the market was also soon ignored in practice when it became evident that the activities of the Soviet police were frightening the peasants. Finally, since trade must be two-sided if it is to survive, the government has been obliged to take the drastic step of extending the freedom of the market to the artisans of the cities whose products in the form of household commodities are in great demand in the rural districts.

Under the New Economic Policy, which preceded the Five-Year Plan, it was estimated that half of the country's supply of manufactures in ordinary use was drawn from the workshops of independent artisans. These activities have been virtually destroyed during the past four years by government regulation of the supplies of raw materials to artisan industry and by the government monopoly of the market in which the finished product was sold. Now this whole policy of crushing out the individual producer of industrial wares has been abandoned in the hope of stimulating activity in the new food markets. The artisans are freed from restrictions with regard to raw materials and are given the same privileges as are enjoyed by the peasants in selling their products at competitive prices.

It will be seen at once that, unless these new policies are merely temporary, Soviet Russia will have turned the course of her economic development into a channel which leads away from her former objective of thoroughgoing socialization. Moreover, all present indications point to an indefinite continuance of the liberal market policy and, indeed, to its extension into other areas of the nation's economic life. The agrarian problem which gave rise to it has not diminished but increased in severity as the months have passed. Grain collections in July amounted to only 45 per cent of the program, and the returns of the August harvest upon which the Soviet authorities have been basing their hopes of prompt improvement of food conditions have been disheartening. In recent news releases the government admits its failure to persuade the peasants in certain important food producing areas to harvest more of their standing grain than they require for their own immediate needs.

Even the State farms, which were designed as models of efficiency, have fallen far behind their schedules.

*There is an exodus from the collectives which threatens to disrupt this* pivotal unit of Communist agrarian organization. Food prices in the open market are rising steadily, while in the government shops supplies are insufficient to maintain the official family ration. Even the foreign experts in government employ, a group which has been protected hitherto from the hardships of life in Russia, are now called upon to share in the general privation. A recent decree in Moscow cuts in half the food ration allotted to this privileged class.

Evidence of the critical situation that the country has been experiencing is apparent in an epidemic of petty thievery, especially of farm produce on the way to market. Official figures show that 40,000 freight shipments were looted in transit during the first quarter of the year, involving a loss of over 1,500,000 tons of merchandise, principally foodstuffs. On Aug. 8 the government took drastic action by decreeing the death penalty for theft in a final effort to halt these depredations. The decree is being ruthlessly enforced, and already several people, including women, have been sentenced to the firing squad for this offense.

The severity of the food crisis has deflected attention from the progress of the industrialization program, except when the official press has referred to the decline in industrial production as one consequence of the agrarian situation. But the figures published by the government unmistakably indicate that the industrial program in its final year will fall far short of success. Steel production has fallen 33 per cent since April; coal is down 12 per cent and freight car loadings 20 per cent. Industries already equipped and organized as going concerns are finding it impossible to maintain steady production because of the rapid decline in labor efficiency. The progress of new construction scheduled by the program is halted by the dwindling of Russia's export trade *in which agrarian products had been* expected to hold a prominent place, because the decline of exports has undermined Russia's power to import industrial equipment and to hire foreign technical assistants.

In the year ending Jan. 1, 1932, Soviet exports amounted to only $400,000,000, though scheduled to reach several times that figure, and the government was obliged during the first quarter of the present year to cancel many of its purchase contracts and many of its agreements with foreign experts. Exports for 1932 were scheduled by the program to total $1,000,000,000, but at the present level of activity they will not exceed a third of that amount. Scarcity of goods for export is not the only cause of this condition; another and equally important cause is the world-wide price recession which has reduced the money value of the goods sold.

Russia is involved in a peculiarly vicious circle with respect to the foreign trade situation. A decline of her export power, for whatever reason, tends to reduce the surplus of goods within the country and hence still further to undermine her export power. This comes about through retarding her industrial development which is conditioned upon a flow of supplies from abroad. As factory output falls behind schedule, the stimulus to agrarian production is reduced by the scarcity of manufactures for exchange between farm and city; the export surplus of both types of wares shrinks; and the rate of industrial progress is still further retarded not only by an increase of the causes arising from the foreign trade situation but also because of the injurious effect of food shortage on labor efficiency. A striking example of this is furnished by the coal mines of the Donetz Basin, where upward of 20,000 men are reported to have left their jobs during the past two months.

In the closing stages of their program, therefore, the Communist rulers of Soviet Russia find themselves at grips with a problem whose solution appears to involve a fundamental change of plan. One method of avoiding this outcome would be to procure financial assistance from abroad so that the flow of supplies to Russia might be continued despite the shrinkage of her own export power. Early in August the Soviet authorities explored this possibility by suggesting the sale of an unlimited issue of Russian 10 per cent gold bonds, principally in the American market—the bonds to be redeemable in the currencies of the countries in which they were held. The proposal created some interest in American banking circles as a device for stimulating our export trade and as an influence working toward an early recognition of the Soviet régime by the United States. But practical difficulties immediately arose, and the instant opposition of the State Department added another obstacle which has prevented the plan from being carried into effect. A similar plan has already been unsuccessfully tried in the London market, where Soviet bonds of a similar character have been on sale since last December without evoking a demand from the British investor.

A survey of the existing posture of affairs in Russia, therefore, leads to the conclusion that the Five-Year Program has failed both in terms of its announced statistical objectives and, more fundamentally, in terms of certain of its underlying social principles. Such a conclusion, however, requires important qualifications. There has been no failure in the political sense; the present emergency has not shaken the stability of the government or the control of the Communist dictatorship. In this sense the readiness with which a new line of policy has been adopted, and the frankness with which the country's rulers have announced the miscarriage of their plans are signs of strength rather than of weakness. Stalin and his group will undoubtedly work out a solution which, while producing something quite different from their original program, will preserve social control and planned economy.

# The Reform of Turkish Education

*By* ALBERT H. LYBYER

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A GENERAL reorganization of the Turkish system of higher education which will eliminate antiquated traditions and support directly and whole-heartedly Turkish post-revolutionary nationalism is being contemplated as a result of a report by Professor Malche. In the first place, the Arabic name "Dar ul-Funun" (Home of the Sciences) is to be abandoned because of its association with Moslem theological education and because of its suggestion in the minds of many of particular branches of learning which fail to include most of the important Western sciences. Instead, the name "Turkish University" will be used. As a matter of fact, three universities are contemplated, one to replace the present institution in Istanbul, one in Ankara and a third in Van or Diyarbekir. A new chair, to be known as the "Ghazi Chair," will be established in Turkish history and the history of Turkish literature. In the faculty of law, practical rather than theoretical courses will be emphasized. In the faculty of science, mod-

ern laboratory facilities will be installed. All teachers will be required to know French. In secondary schools the rule has been established that all pupils must have a reading knowledge of English, French or German.

The present university has been severely criticized for its apparent lack of interest in the Turkish revolution. The professors were held at fault for the insignificant showing they made at the history congress in Ankara in July and particularly for their lack of cooperation with the Society for Turkish Historical Research in the preparation of the new four-volume history textbook.

The Society for Turkish Historical Research consists of members of Parliament, officers and a teacher, Affet Hanim, who is one of the adopted daughters of President Mustapha Kemal. A year ago the society published a well-made and richly illustrated history of the world in four volumes. The book was made a compulsory study in all higher schools.

A decree was published on Aug. 20 which prohibited all imports except quota goods after Sept. 1. Beginning on Oct. 2, exporters will be permitted to import, apart from the quota, goods up to the value of 50 per cent of their exports from Turkey, as certified by special commissions established at the principal Turkish ports. New quotas were announced, to be effective from Oct. 1 to Feb. 15, including many articles which come from the United States such as automobiles, trucks, tires, spare parts, agricultural implements, petroleum products, pumps, electric batteries and photographic films. Negotiations are now in progress for a general commercial treaty between Turkey and the United States.

According to British information the quota system appears to have reduced imports during the year ended June 1, 1932, from $73,500,000 to $63,000,000, while exports diminished from $75,500,000 to $63,500,000. It is therefore not clear whether the immediate object of altering the balance of trade has been effected by this system. The quotas, furthermore, are said to have dislocated trade, injured both exporters to Turkey and Turkish importers, and caused loss of revenue to the government.

The value of Turkish manufactures is estimated to have increased from $20,000,000 in 1928, to $50,000,000 in 1931. Coal mining has made progress, but the production of other minerals has declined. Turkey contains about 10,000 miles of roads and nearly as many miles of trails, but few of the roads are in good condition. The government plans to spend $1,000,000 a year for the next twelve years in establishing good roads between the most important cities. Repairs are being made to the road from Trebizond to Erzerum in the hope of reviving the overland trade with Persia, which before the war was 40,000 tons a year and in 1930 was estimated at only 1,380 tons.

### *ANGLO-EGYPTIAN RELATIONS*

When the Egyptian Parliament was disbanding early in July, Premier Sidky made a statement regarding rumors of the resumption of negotiations for a treaty with the British Government. He said that no application in the ordinary sense had been made by the Egyptian Government to the British Government for reopening negotiations; Great Britain knows the opinion of the Egyptian Government and Egypt is prepared to negotiate when the proper time arrives; the Egyptian Government does not lose sight of Egypt's interest in Britain's friendship. It appears that the Egyptian Government inquired of the British Government whether the question of the capitulations might not be settled without waiting for the new Anglo-Egyptian treaty. The reply seems to have been that it would be better for Egypt to have this matter settled in the formal treaty, because

In this way haggling with a large number of countries might be avoided.

At the beginning of August M. Vorbiev, director of the Russian trade bureau in Alexandria, was notified that he must close his office and leave the country within three weeks. Early in 1931 he had been given special favors in the expectation that Russia would purchase large quantities of cotton in Egypt. These purchases have not materialized, and he is further suspected of having engaged in Communist propaganda.

### *ECONOMIC GAINS IN PALESTINE*

Jewish representatives insist that Palestine is actually making economic progress while the rest of the world suffers acutely from the depression. The country has very little unemployment. It continues to receive money from abroad for investment, which finds many openings. Many small industries have been begun. Agricultural life has made great progress. High Commissioner General Wauchope announced to the annual meeting of the Jerusalem Chamber of Commerce, which is binational, that during the last two years imports into Palestine have fallen only by about 17 per cent while world imports have fallen 40 per cent. Palestine has actually increased its exports since 1929; the other countries of the near East have fallen 20 per cent or more, while the world average has fallen 45 per cent.

Palestine now has about 40,000 acres of orange groves and exports about 3,500,000 boxes per year. This gives employment to 10,000 people. The demand has exceeded the supply, so that the profits have been large. In ten years the production of milk in Jewish colonies has increased tenfold. Almost every variety of vegetable is grown successfully. New potatoes and tomatoes have been shipped experimentally to England and France. Three years ago Palestine imported 20,000,000 eggs, but now needs to import only 7,000,000. It is expected that within a few years 10,000,000 boxes of Jaffa oranges will be produced each year. The question of marketing oranges was a principal concern of Palestine at the time of the British Imperial Economic Conference at Ottawa. As a mandated territory, Palestine may or may not be within the British Empire. If considered within, it may be accorded imperial preference and thus enjoy certain tariff advantages. The question is unsettled because under the terms of the mandate Palestine may not discriminate against members of the League of Nations.

### *OIL SCANDAL IN IRAQ*

Musahim Bajaji, formerly Iraqi Minister of the Interior, and other high Iraqi officials, were brought to trial in June for political offenses. They had been arrested early in the year, when the authorities were investigating threatening letters sent to officials and finally even to King Feisal. Press reports show that the accused persons, assisted by Russian agents, had plotted to overthrow the King and declare a republic, with the object of preventing the enforcement of the treaty with Great Britain and of hindering the building of the pipe line to the Mediterranean. In support of this accusation, it was pointed out that the pipe line will bring the oil of Iraq, which can be produced easily, to the amount of 1,000,000 tons per year, into active competition with Russian oil. Russian petroleum products compete successfully in all Northern Persia with those of the Anglo-Persian Oil Company, which are produced within the country itself. The railway between Haifa, Bagdad and Mosul, which is now about to be begun and which may be extended to Teheran presents the possibility of direct and injurious competition with the growing trade of Russia in Northern Persia and adjacent areas.

# Increasing Disorder in China

By TYLER DENNETT
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IN a summary of conditions in China for the past year, Hallett Abend on July 25 declared that "the country is today worse off in almost every particular than it was in July of last year." Canton has established an independent government. The Yangtse floods drove 25,000,000 farmers from their lands and caused billions of damage. More than 4,000,000 peasants have not yet been able to return to their homes. Cholera has been epidemic over an area as large as all Europe. The anti-Communist campaign has been futile. Chinese national revenues net only $12,000,000 (Chinese money) each month for the anti-red war, but the war lords demand $18,000,000 as an irreducible minimum to keep their armies in the field. Custom revenues are not sufficient to cover interest and amortization on loans secured by customs receipts. Some of the richest provinces are no longer able to meet their own expenses and demand help from Nanking. There is increasing probability that the opium traffic will be legalized as a source of revenue which is now drawn off by generals. The Kuomintang party is rapidly losing power. "The last twelve months," Mr. Abend concludes, "have witnessed the continuation of the government's revolving in what seems like a permanent cycle of political ineptitude, and authority everywhere is dangerously near a final breakdown."

During the past month the situation in China has been one of increasing tension and fear as to the next Japanese move. In Shanghai, to which the entire Japanese Third Squadron was ordered at the end of August, there is constant fear of a new clash with Japan. One potential cause of trouble is the refusal of Japanese authorities to transfer to the Municipal Council the responsibility for policing the extra-Settlement roads in the North Szechuan Road and the Hongkew areas. The administration of these environs of the International Settlement, which has overflowed its boundaries, has been a sore point between Chinese and foreigners. The Japanese have declined to acquiesce in a tentative agreement reached by the Municipal Council and the Chinese authorities, by which these areas, in which the Japanese interests are extensive, would be policed by Chinese.

A bomb hurled at a clock-shop in the city on Sept. 2 brought two truckloads of Japanese marines to the Bund, where they rushed by a traffic signal and ran down a coolie. They were promptly arrested by a Sikh policeman and taken to the police station. A mob of 700 Chinese collected and became threatening. The Chinese Railway Ministry began removing its archives to Nanking. The next day Commander Heguchi of the marines visited the chairman of the Municipal Council and lodged a protest. Chapei, where the fiercest fighting occurred last Winter, is again being evacuated by the Chinese.

The national government named Sept. 18 as a day of national mourning to commemorate the outbreak of the Manchurian clash a year ago. A Japanese legation spokesman announced that he possessed indisputable evidence that the Chinese Government has ordered intensification of the nation-wide boycott, and has also ordered the Chinese newspapers not

to print notices of the boycott activities. The boycott has never been more serious than at present. "Of course, if they continue this time," said the Japanese spokesman, "further trouble here is inevitable."

In North China the tension is even more acute than in Shanghai. Japan is threatening the entire northwestern border. The military operations in Jehol are quiescent, but in Peiping and Tientsin the Japanese military are much in evidence and, apparently, restless. On the night of Aug. 28 Mukden was thrown into great confusion by a series of daring raids by Chinese irregulars working on carefully coordinated plans. The chief attacks were on the arsenal and the airport. The attack was repulsed with little loss of life but with great property damage to the Japanese, while many Chinese were killed. Further outbreaks are expected.

The railway lines are particularly vulnerable and objects of daily raids by scattered bands of Chinese who are believed to be supplied, if not directed, from Peiping. The Manchukuo Foreign Minister warned Marshal Chang Hsiao-liang in Peiping that such activities might result in punitive expeditions into North China. It is alleged that munitions for the irregulars are reaching Manchuria through Jehol. Thus Japan is supplied with a pretext, or reason for carrying out the project to subjugate Inner Mongolia and sweep it into Manchukuo. But why stop there? Peiping and Tientsin are the centres in which threats to Japan are devised and directed. The constant irregular warfare, therefore, has the effect of keeping not only Manchuria and Jehol, but also North China, in a state of perpetual excitement.

The Chinese Foreign Office finds comfort in the smug thought that the Chinese are ranged among the righteous nations of the earth in support of the movement for world peace. Lo Wen-kan, the Foreign Minister of the Nanking Government, in reply to Count Uchida's address to the Japanese Diet (see the article "America's Far Eastern Diplomacy," on page 15 of this magazine) made a speech on Aug. 31 at the weekly memorial service for Dr. Sun Yat-sen, which reveals the state of mind at Nanking. "Japan has at last thrown down the gauntlet against the consciences of the whole world." The Foreign Minister seems to find comfort in the fact that "Japan has now defied the whole world—the League of Nations, the anti-war pact, the Nine-Power Treaty and the other international commitments, and finally the public opinion of mankind." He appears indifferent to the fact that China has for more than ten years followed a provocative policy.

There is a serious defect in the international peace machinery when a nation can speak peace and provoke war in the same breath, and then sit back and wait for the community of States to rescue it from a fate which it has so clearly invited. The Japanese record may be as bad as Lo Wen-kan thinks it is, but the Chinese record is by no means such as to merit the benediction which goes to the peace-makers. One of the sad aspects of the present effort to vindicate the peace machinery is that it is misunderstood by the Chinese as a vindication of their own government.

The Lytton Commission report and recommendations were signed in the German Hospital at Peiping on Sept. 4 and dispatched by air to Geneva. The Earl of Lytton had been a patient in the hospital since his return from Japan in July. Although it had been previously reported that the commission would return to Europe by way of Russia, Lord Lytton, General Frank R. McCoy and Count Luigi Aldrovandi-Marescotti sailed on an Italian steamer from Shanghai for Europe by way of Suez. With them went Dr. Wellington Koo, who, together with W. W. Yen and Dr. Quo Fai-chi, were to represent China at the Assembly of the League of Nations. Thus the Far Eastern front is being reformed at Geneva, where the battle

over procedure in the handling of the Lytton report is likely to continue for many weeks.

Ambassador Debuchi has sailed for Japan, ostensibly on leave, but presumably not to return to Washington. To him was assigned an impossible task; he could not bring either the American Government or people to the Japanese point of view. In the last year the United States has been flooded with expensive Japanese propaganda, but all to little purpose. The Japanese Foreign Office has transferred from London to Washington Hirosho Saito to act as Chargé d'Affaires. To leave Washington at this critical moment without a Japanese Ambassador of the highest rank might be interpreted as another expression of Japanese resentment at the American policy. It was rumored in Tokyo, however, that Japan plans soon to appoint to Washington Matsuzo Nagai, former Vice Minister of Foreign Affairs. It was also announced, and then denied, that Vice Admiral Nomura would come to the United States on one of those "missions of good will" which have been so much utilized in the last few years. At present the pathetic Dr. Nitobe, vainly pleading a defense of policies which all his life he has opposed, is the outstanding unofficial defender in America of Japanese imperialism, and it is rumored that even he has lost favor in Japan.

Nothing has yet developed to indicate that the Soviet Government is going to be an important immediate factor on the side of the League and the American Government in bringing Japan to terms. During the month after the signing of the Soviet-Japanese fisheries convention relations between the two States appear to have been eased considerably. Moscow finds the Japanese operations in North Manchuria a potential menace, but evidently is not preparing for decisive action at the present time. The Soviet Union desires recognition by and an understanding with the United States, but has been repulsed so often that it is not likely to make a new advance just now. In fact Soviet Russia, because of the Stimson policy toward Japan, is in a more favorable position for making terms with the American Government than it has been so far. To carry out the American policy of not recognizing Manchukuo it would be greatly to the advantage of the United States to have the support of Russia. Knowing this, Moscow perhaps feels that it can advantageously wait for the American Government to make some high sign of greeting.

The special session of the Japanese Diet, which convened on Aug. 25 to pass emergency relief measures, adjourned on Sept. 4. The government proposed a program calling for nearly $60,000,000, of which about $40,000,000 would be borne by the central government. This program was below the expectations of many, and was disappointing. The Seiyukai opposed the government, but the House of Peers came to the support of the Cabinet, thus avoiding what threatened to be a major political crisis. The Diet failed to create a moratorium for farm debts, which reach a total of 5,000,000,000 yen. Thus the agricultural distress of Japan remains a factor to conjure with. No inflationary measure was passed by the Diet. The commodity prices are rising in consequence of the fall of the exchange value of the yen, normally worth 49.85 cents but now down to nearly 23 cents.

The Indian Government has recently placed a 31¼ to 50 per cent ad valorem duty on non-British piece-goods which is designed to prevent the dumping of Japanese cottons on the Indian market. A movement in Tokyo to boycott Shell gasoline, on the ground that, with the fall of the British exchange, it should sell for less than American gasoline, has made little headway, but is an interesting gesture, indicating that the Japanese have no serious objection to the boycott as such.

*Continued from Page* 19

'Are you prepared to negotiate on the basis of this report?' "

The American policy by itself is negative and probably not pacific in its effect on the Far East. What it may become in combination with some remedy proposed by the Lytton commission or subsequently at Geneva remains to be seen. Manchuria must have a government. The choice is simple. It may be (1) the existing Manchukuo régime, which is so obviously a Japanese puppet and which the United States will not recognize; (2) a re-established Chinese régime, which no power or group of powers is ready or able to create; or (3) an international government which Japan will not accept, unless she is coerced by military or economic defeat. If the non-recognition policy could be sustained, with all its implications, by fifty States for a period of years, it might not help the Chinese at all, but it almost inevitably would ruin Japan.

The ruin of Japan—her economic ruin—would carry in its train more losses to British, French and American capital than people are usually content to lose for an ideal so lacking in positive advantages. In a quick collapse of Japan the policy might win a first victory, but such a collapse seems at present improbable. The Saito Cabinet is not very secure; the yen is more than 50 per cent below par; there is great suffering in the agricultural districts. Japan's foreign trade is not likely to improve under the new Chinese boycott. Her normal trade with Canton alone is said to be greater than with all Manchuria. But Japan is a long way from collapse, and apparently still further from a popular revolution which would rob the military of its power and prestige.

For a third of a century the American people have been led to believe that prospectively at least they have vital interests in Manchuria. The alleged vital interests in that region turn out to be the foreign trade which it is hoped some day to enjoy, but which has never yet become vital to the United States. A second glance shows that in this region the alternatives are less likely to be an open door or a door closed by Japan than a door closed by Japan or a door closed by China. Nothing in the recent history of Chinese policy warrants the assumption that if Manchuria is restored to China the latter will ever keep the door for trade open one moment beyond the day when it seems to China's advantage to close it. China is not only anti-Japanese, but also anti-foreign.

American policy in the Far East has been a series of fits and starts, followed by retreats. The fits and starts have been dramatic and popular; the retreats have been very quiet and little understood. This newest start, joined as it is with the doctrine that implies the right, and even the duty, of intervention, diplomatic or otherwise, is more startling than any previous declaration. But will it be any less fitful?

The text of the Japanese-Manchukuo treaty is not available as this is written, but when it is, it should be compared with the treaties of 1904 and 1905 between Japan and Korea. Within a few months they were followed by the withdrawal of the American Minister from Seoul and the recognition by the United States of the Japanese protectorate. The treaty of Aug. 19, 1904, contained a stipulation that the Korean Government "shall consult the Japanese Government before concluding treaties and conventions with foreign powers and also in dealing with other important diplomatic affairs, such as grants or concessions to or contracts with foreigners." Thus passed the Open Door in Korea, Elihu Root, successor to John Hay, writing the American note of acquiescence.

# Uchida's Speech on Japan's Policy

*The following is the text of the address on Japan's Manchurian policy delivered by Count Yasuya Uchida, the Japanese Foreign Minister, to the House of Peers at the opening of the special session of the Imperial Diet in Tokyo on Aug.* 25, 1932:

AT the June session of the Diet my predecessor took occasion to report upon and discuss the outstanding foreign relations of this country. Today, in view of the importance of the developments in Manchuria that have taken place since then, I desire to review the questions regarding Manchuria and China proper and to describe in some detail the policy of the Japanese Government.

We are all gratified to note that Manchukuo has entered upon a career of sturdy and healthy progress. The Japanese Government are convinced that recognition of this new State is the only means of stabilizing conditions in Manchuria and of establishing conditions of permanent peace in the Far East. And it is with a view to the early extension of formal recognition of Manchukuo that we are making various arrangements, upon the expected completion of which in the near future our plan will be carried through.

However, there are those in other countries who do not fully comprehend the attitude of Japan toward China nor the measures she has taken since the incident of Sept. 18 last year [the seizure of Mukden, Manchuria, by the Japanese following the tearing up of a section of railway allegedly by Chinese soldiers], and who, in default of a correct conception of the advent of Manchukuo, look upon any recognition of Manchukuo by Japan as an illegitimate procedure.

In view of such misunderstanding as still persists, I avail myself of this opportunity to clarify Japan's position and to expound to you the reasons why the government considers recognition of Manchukuo to be the only means of solving the Manchurian problem, although, in doing so, I may have to repeat what has already been set forth in successive declarations and statements issued in the past by the Japanese Government.

It is an indisputable fact that the chaotic condition of China and the so-called revolutionary policy carried on by China under the enthralling influence of extravagant political dogma have been principally responsible for the unfortunate turn that international relations have taken of recent years in the Far East.

Although Japan has been the chief victim of the abnormal state of affairs in China, other countries have also suffered intolerable indignities and incalculable material loss. At the same time, it is admitted by those conversant with actual conditions in China that no remedy can be effected by having recourse either to the covenant of the League of Nations or to any other organ of what may be termed "machinery of peace." In fact, it has been the practice of the powers, as has been demonstrated on innumerable occasions, to repair or prevent injuries to their important rights and interests in China by direct application of force without relying upon those instruments of peace.

For over twenty years Japan continued to exercise the greatest patience and moderation in the hope that some day China might soberly undertake the task of rehabilitating her fortunes and playing her proper rôle in the maintenance of peace in the Far East. China failed, however, to show any sincere desire to reciprocate our good-will and kindly sentiments, but increased more than ever in her arrogance and intolerance.

Our government took pains time and again to point out to China the danger she was running in trying too far the patience of the Japanese people. But China did not heed our warnings.

The incident of Sept. 18 occurred in Manchuria, the very region regarded as the first bulwark of Japan, at the precise moment when the feeling of our people had been wrought up to the highest pitch by repeated provocations. We had no alternative other than to resort to a measure of self-defense.

There are those who argue as though the action of Japan were a violation of the Kellogg-Briand anti-war pact. But such contention has no foundation in fact. As I have stated, Japan has been forced to adopt necessary measures for the prevention of wanton attacks upon important rights and interests vital to her national existence.

The anti-war pact does not put restraint upon the exercise of the right of self-defense in such a case. The pact does not prohibit a signatory power from taking at its own discretion whatever steps it finds imperative in order to remove immediate menaces to its territory and its rights and interests of whatever kind.

And, obviously, the exercise of the right of self-defense may extend beyond the territory of the power which exercises that right. Japan's action is essentially identical with the action that other powers have taken elsewhere in similar circumstances.

Following upon this action legitimately taken by Japan in the face of Chinese attacks, officials of the régime presided over by Chang Hsiao-liang either fled or resigned, as you know, with the result of a practical extinction of that régime. In the meantime, among the leading people

of Manchuria who had long resented the tyranny of the Changs and were opposed to plunging their land into the civil turmoil of China proper, a project for political reform was already under way.

It is in every way natural that these leaders should have taken, as they did, advantage of the opportunity afforded by the downfall of Chang to launch out upon an active movement. A "Peace Maintenance Committee" was accordingly organized at Mukden, Harbin and other centres. In view of our own responsibility in respect of the maintenance of peace and order in Manchuria, we extended necessary cooperation to these committees.

It was the Manchurian leaders connected with these committees who decided that the hour had struck for founding the new State. The establishment of Manchukuo was the outcome of a separatist movement having for its background the geographic and historical peculiarities of Manchuria as well as the psychological characteristics of the Manchurian people.

Those who seek to place upon Japan the responsibility for the Manchurian revolution by tracing the independence of Manchukuo directly to our military operations simply labor under ignorance of the facts and their opinions altogether miss the point. Again, as regards those who fancy they detect a secret connection of some sort on the part of Japan with the foundation of the new State, basing their suspicions on the fact that there are, in fact, a number of Japanese in the employ of the Manchukuo Government, I need only point to the existence of many precedents for the enlistment by a young government or newly founded States of the services of foreigners.

Our own government since the Meiji restoration have employed many foreigners as advisers or as regular officials; their number, for instance, in the year 1875, or thereabout, exceeded 500. Those who misconstrue the presence of Japanese in the Manchukuo Government in the fashion alluded to are placing the responsibility where it does not belong.

Manchukuo has come into being, as I have already remarked, as a result of separatist movements within China herself. Consequently, the view expressed in certain quarters that recognition of the new State thus created would constitute a violation of the stipulation of the Nine Power treaty is, in my opinion, incomprehensible. The Nine Power treaty does not forbid all separatist movements in China or debar Chinese in any part of the country from setting up, on their free will, an independent State.

Hence, should Japan extend recognition to the existing government of Manchukuo, founded by the will of the people of Manchuria, she would not thereby, as a signatory power to the Nine Power treaty violate in any way the stipulations of that treaty.

Of course it would be a different matter on the assumption that Japan was seeking to annex Manchuria or otherwise satisfy her thirst for land. Only, I hardly need to waste words in once more disclaiming at this juncture any territorial designs on our part in Manchuria or anywhere else.

Thus far, I have elucidated the theses that the attitude maintained by Japan toward China, and especially the measures we have taken since the incident of Sept. 18, have been just and proper, that the independence of Manchukuo has been achieved through the spontaneous will of Manchurians and should be regarded as a consequence of a fissiparous movement in China, and that recognition by Japan of the new State thus created cannot violate the stipulations of the Nine Power Treaty.

Now let me proceed further and dwell upon the reasons why the Japanese Government consider the recognition of Manchukuo as the sole effective means of solving the Manchurian problem.

With regard to the question of finding a solution for the Manchurian problem, the Japanese Government attach the greatest importance to the following two points:

First, that, in seeking a satisfactory solution we should aim at the fulfillment of the legitimate aspirations of the Manchurian people, at adequate guarantees for the rights and interests of Japan, at prevention—in order to make Manchuria a safe place to live in, alike for Manchurians and foreigners—of any recrudescence of erstwhile anti-foreign policy movements and, finally, at bringing not only stability to Manchuria, but permanent peace to the Far East.

Second, that such solution should be effected by rejecting all sentimental propositions and abstract theories and arrived at upon the solid basis of realities of the situation.

In view of the circumstances that led to the outbreak of last September and of the immense sacrifices our country has been compelled to make in the past, the Japanese Government feels the imperious need of arriving at a fundamental solution of the Manchurian problem on the lines of these two propositions and of eliminating for all time the causes of a secular Chino-Japanese conflict.

On the other hand, it appears that in certain quarters a plan is being considered to reach a solution by patching up matters for the moment by investing China proper in one form or another with authority over Manchuria. That such a plan would only serve to reproduce the situation preceding the incident of Sept. 18 is only too plain to us who have been taught by bitter experience in the past.

The people of Japan can never consent to a solution of that kind. Moreover, it is as clear as day that the investment of China proper with power over Manchuria under whatever guise is totally irreconcilable with the political creed enunciated in the Declaration of Independence and other public statements of the Manchukuo Government and therefore that the scheme in question has no chance of being accepted by Manchurians.

The imposition upon Manchuria of

what is not wanted by Manchurians would be as unjust as ill-advised, in that it would only end by sowing seeds of future trouble in that land.

The plan to invest China proper with authority over Manchuria, and all measures of a similar temporizing kind, will never fulfill the object of making Manchuria a safe and happy land for both natives and foreigners, nor do they accord with our principle of finding a solution. Certainly, it is not the way in which to bring stability to Manchuria or permanent peace to the Far East.

Manchukuo has set out upon an honest program that is open and aboveboard. It has declared its intention to pursue a policy of justice, peace and friendship toward other countries, to take over obligations of existing treaties according to international law and usage, to respect vested rights and interests of foreigners and to protect their lives and property, to welcome all aliens and to accord them equal and equitable treatment irrespective of their racial origin, to adhere to the principle of the Open Door, to promote international trade and to contribute to the economic development of the world; and Manchukuo's sincerity of purpose has been definitely established.

It is plain, therefore, that to extend to Manchukuo formal recognition and assist its government to carry out their sound policy above referred to will be a notable step toward making Manchuria a happy and peaceful land for natives and foreigners alike on the basis of the realities of the situation. And it is plain, too, that such is the only way to secure a permanent solution of the Manchurian problem.

As long as Manchukuo retains the sterling spirit in which it was founded and perseveres in its high purpose it is assured of a future full of promise. Here and there we find persons entertaining exaggerated fear of the perils of banditry in Manchuria or making gloomy forecasts regarding the finances of the country. But we refuse to join the company of these pessimists. Upheavals brought about by lawless elements are universal phenomena, to be observed in newly established States anywhere in the world. Whereas in most of such cases it takes some considerable time to put unrest down, it is only fair to say that in Manchuria the suppression of banditry is making comparatively rapid strides.

As for the financial status of Manchukuo, I have been told that it is good, really far better than was anticipated at first by the Manchurian authorities. In view of the vast territory, the thriving population and immense natural resources in its possession, there can be no doubt that Manchukuo, given a good government, will emerge as a rich and prosperous country and come to be a great market for the world.

It is my hope that the healthy development of Manchukuo will not only bring happiness and prosperity to the thirty million inhabitants of the country but will serve as a good example for the rehabilitation of China proper.

As regards the conditions prevailing in China proper, I regret to say that the growing disturbance in her domestic administration, coupled with rampant activities of Communist bandits throughout an extensive area in the Yangtse Valley and South China, is casting a gloomy shadow on the path of the National Government.

Besides, as an anti-foreign, especially an anti-Japanese, movement still continues unabated, further complications are likely to arise in the foreign relations of China, which, in turn will make her internal confusion worse confounded. Truly, our deep sympathy is due the Chinese people, who have to suffer under these troubled conditions. To allow such conditions to persist as they are, I am firmly convinced, will not only be deplorable for China herself but will constitute a constant danger of bringing about a serious menace to the rights and interests of foreign powers. On the contrary, the whole world will rejoice should China realize the gravity of the situation, cast aside her ill-advised foreign policy and adopt in earnest a constructive program of devotion to the task of internal readjustment.

It goes without saying that Japan, always conscious of the general interests of the Far East, will spare no effort to afford all possible assistance to China. Indeed, it is my fervent hope that the day is not far distant when Japan, Manchukuo and China, as three independent powers closely linked together by a bond of culture and racial affinities, will come to cooperate, hand in hand, for the maintenance and advancement of the peace and prosperity of the Far East, as well as for the peace of the world and the civilization of mankind.

# CURRENT HISTORY

NOVEMBER 1932


# Prosperity Waits Upon the Farmer

*By* BERNHARD OSTROLENK

[Dr. Ostrolenk spent the past Summer traveling through the farming regions of the United States in order to study the plight of the farmer at first hand. In his observations he brought to bear the training of an economist who has long been a student of the problems of American agriculture.]

THE immediate return of American prosperity depends more than anything else upon the rescue of the farmer from the economic disaster which has overwhelmed him. In addition to the 30,000,000 people on American farms at least 50,000,000 more are engaged in supplying goods and services to them. If the purchasing power of the farm population falls, the effect on these other millions is felt quickly. When one recalls that between 1920 and 1932 the annual purchasing power of the agricultural community dropped from $16,000,000,000 to $5,000,000,000, it is unnecessary to search further for one of the important factors in the present economic crisis that has paralyzed virtually every one of our industrial activities and brought poverty and despair to the cities of America.

Today the farmer is unable to purchase new tools and implements, automobiles and furniture. He has ceased to improve his buildings, make repairs or replace his equipment. Where once his needs galvanized into activity mines, mills, factories, financial institutions and transportation facilities, today these enterprises are largely idle. The purchasing power thus lost is equal every year to the total war debts owed by foreign countries to the United States and is twice as great as the total exports from this country during the years of prosperity.

Since the war the plight of the farmer has become increasingly serious. In 1920 the Fordney emergency tariff was enacted supposedly designed for the special assistance of the farmer. A year later the farm bloc was organized in Congress, and as a result there followed a series of measures relating to cooperation, rural credit, regulation of packing houses and stockyards, control of commodity exchanges and freight rates. A number of minor acts were passed and commissions were appointed to inquire

into the problems of freight rates for agricultural commodities, credit from the Federal Reserve Banks, and the general agricultural situation. But as the farmer found his position no better, a definite farm relief proposal, the first McNary-Haugen bill was introduced in Congress in 1924, designed to make the tariff on agricultural commodities effective. The bill, however, was defeated and a similar fate met a revised McNary-Haugen bill the following year. A third edition, introduced in 1927, was passed by both branches of Congress, but was vetoed by President Coolidge. A fourth bill, only slightly modified from that of 1927, passed Congress in 1928 and again was vetoed.

In the Presidential campaign of 1928 agricultural relief played a prominent part and the Republican nominee, Herbert Hoover, promised to call a special session to enact farm relief legislation. Mr. Hoover's election was followed by a special session of Congress in the Spring and Summer of 1929 at which the Federal Farm Board was created and the Hawley-Smoot tariff enacted—both intended as agricultural relief measures. But the continued drying up of foreign trade, the continued fall of farm prices, the rapid shift from farm ownership to tenancy, the disappearance of farm credit and the growth of poverty in the agricultural regions are conclusive testimony that the fundamental farm problem remains unsolved.

It may be argued that there was industrial prosperity during the ten years from 1920 to 1930, in spite of the fact that the farmer was not making a profit, that his earnings were less than half of what was paid to unskilled labor and that he was receiving no interest on his own equities. Some may deduce from this fact that industrial prosperity is not necessarily tied up with that of the farm, but it should be pointed out that farm purchasing power and farm prosperity are not at all the same thing.

During this decade the farmer made no profit on his gross sales, but his purchasing power was large when prices were reasonably high and the foreign market absorbed his surplus. The farmer paid out his gross income for interest and taxes, for equipment, labor and the cost of freight for goods to and from the farm. Though he had little left for his personal needs, his purchasing power was an important item in the industrial activity of the nation. It made little difference to the country as a whole whether this purchasing power went for taxes or for the personal needs of the farmer as long as it remained high. But the situation has now changed. The remedies for the farm problem that seemed uneconomic when they aimed to increase farm profits artificially have a different justification from those that propose to restore purchasing power.

Because of the nature of new farm relief legislation under consideration it is highly important to point out that the farmer attributes much of his trouble to the drying up of his foreign markets as a result of two tariff acts —the Fordney-McCumber act of 1922 and the Hawley-Smoot tariff of 1930. Both tariffs, demanded by industry, led the farmers from one price catastrophe to another as their foreign markets disappeared and as the cost of production was advanced by the artificial industrial prosperity engendered by these tariffs.

The plan for farm relief that makes the strongest appeal to the farmers at present proposes to make the tariff effective on agricultural commodities. In this regard it is similar to the McNary-Haugen bill, with its equalization fee, which was rejected because of fear that production would be unduly increased. The new plan, which meets this objection, has been current in agricultural circles for over a decade and in its various phases has been labeled the "Voluntary Allotment Plan." It was outlined first in 1922 by one of the cooperative farm asso-

ciations and received mild support as an alternative during the various stages of the McNary-Haugen bill. It again reached the stage of Congressional discussion during the past year.

Several bills embodying this scheme have been introduced in Congress, notably the Norris bill, which passed the Senate last Summer but was recalled suddenly and mysteriously after the meeting of the Democratic convention, and the Fulmer bill, which was introduced into the House but was never reported out of committee. The plan was discussed by high officials of the Farm Board and received help from and was studied by officials of the Bureau of Agricultural Economics. It is referred to vaguely, but apparently with favor, in the agricultural plank of the Republican platform, which reads: "We will support any plan which will help to balance production against demand and thereby raise agricultural prices, provided it is economically sound and administratively workable without burdensome bureauracy." But Mr. Hoover in his acceptance speech pointedly omitted any reference to it, and in Washington it is understood that he is opposed to it. The Democratic platform also mentions the plan vaguely. Governor Roosevelt, in his acceptance speech at Chicago, referred to the new plan, and in his Topeka speech outlined it more fully, but still incompletely. Outside agricultural areas the significance of Mr. Roosevelt's speech at Topeka on Sept. 15 was missed.

In order to explain the plan it would be best to follow its operations in the case of an individual farmer in connection with one of his commodities.

Farmer Jones, living in Yellow Medicine County, Minnesota, will be asked by the county committee to agree voluntarily to a limitation in the acreage for wheat production in accordance with a plan worked out by a commodity committee for wheat. If Jones refuses to agree, then he is dropped as far as this plan is concerned, and he continues producing in accordance with his inalienable right. But Smith, his neighbor, may voluntarily agree to an allotment. Smith's allotment will be worked out in accordance with his average acreage and production during the previous five years. Let us assume that Smith has been growing twenty-five acres of wheat, harvesting on the average fifteen bushels per acre during the last five years, making a total annual production of 375 bushels of wheat. If Smith agrees to the voluntarily allotment plan he will be subjected to an acreage allotment. A national commodity council may decide to reduce the total acreage of wheat 20 per cent. The local county committee will, therefore, allot to Smith only twenty acres instead of the twenty-five acres he has grown hitherto. In return for this voluntary restriction of acreage Smith will receive allotment certificates for 300 bushels of wheat, or at the rate of fifteen bushels per acre.

When the crop is harvested Smith will sell his wheat on the open market in competition with all other wheat producers, including Jones, at the regular market price, which in part is dictated by world conditions. The wheat may be purchased by domestic millers, by speculators, by elevator owners or by exporters. The price paid to Smith will be the world market price, and will in nowise interfere with the exportation of wheat to foreign countries. But, in addition, Smith will have the allotment certificates, which will now be redeemed by the government.

The government will, under the plan, put an excise tax on all processes of wheat equal to 42 cents a bushel—the present tariff on wheat. This excise tax will have the same legal status as the excise tax on cigarettes or cigars. Of the 800,000,000 bushels of wheat annually produced in the United States, about 650,000,000 bushels is turned into flour and used for domestic consumption. This means

that there would be collected from the millers an excise tax on wheat equal to $273,000,000, which, after expenses for operation are deducted, would be divided among the allotment certificate holders. If the cost of administration is, say, $23,000,000, there would remain $250,000,000 to be divided among 800,000,000 allotment certificates, assuming that all wheat growers in the country had voluntarily agreed to the scheme. This would give an additional 38 cents per bushel to the wheat growers.

If there should be any who, like Jones, refused to agree to voluntary acreage restriction and therefore would receive no allotment certificates for his crop, then those holding allotment certificates would naturally receive a larger portion of the total.

This explanation of the "Voluntary Allotment Plan" should throw new light on Governor Roosevelt's six-point program. At Topeka he said: "We must devise means to provide for the farmer's benefit which will give him in the shortest possible time the equivalent of what the protected manufacturer gets from the tariff." In order to do this the Governor suggests that he will favor legislation which will have the following specifications:

1. The plan must provide, without further increasing production, that the farmer shall receive the benefit for agricultural commodities in the domestic market.

2. The plan must be self-financing.

3. It must not make use of any mechanism which would cause our European customers to retaliate on the ground of dumping.

4. It must make use of existing agencies.

5. It must operate on a cooperative basis.

6. The plan must be voluntary.

In his first major speech at Des Moines, Iowa, on Oct. 4, President Hoover again omitted any reference to the plan. The nearest approach was his statement, "I come to you with no economic patent medicine especially compounded for the farmers." Should Mr. Roosevelt now, in response to pressure of the agricultural interests, elaborate on the plan, we may expect that the weaknesses will be brought out in the ensuing discussion. In the main these are:

1. It involves the creation of a huge bureaucracy that will allot to farmers the amount of land on which they may grow crops and the number of certificates to which they are entitled.

2. It puts a burdensome tax upon the consumers of the United States for the benefit of the farmers. It will increase the cost of living depending on the commodities included in the calculation by from $1,000,000,000 to $3,000,000,000. This means a reduction in the amount of real wages of the urban population.

3. It will place our industrial producers at a disadvantage in the competitive markets of the world because we will be supplying cheap food for the foreign workers while charging high prices to domestic workers. In brief, it will be a bonus to the farmers paid by the urban consumer.

4. The benefits to agriculture may not be sufficiently diffuse.

It is too early to say whether these disadvantages outweigh the advantages. It can easily be argued that the restoration of farm purchasing power must precede the revival of industrial prosperity, and that therefore the price paid by the urban worker is small compared to the benefit that will be derived when the farmer again becomes a large consumer of industrial commodities. It may also be argued that because the farmer has been exploited by means of the tariff in the interest of the cities it is fair, as an emergency measure, to re-establish the balance between agriculture and urban prosperity.

As a second step for emergency aid to agriculture, it is proposed to re-

finance farm mortgages. This was the chief proposal made by the Midwest Governors' Conference which met in September to adjust the Iowa farmers' strike. The Governors laid down as their chief program several planks involving the refinancing of farm mortgages, declaring moratoriums on maturing farm mortgages, forcible reduction of interest rates, the repossession of foreclosed farms and governmental protection to the debtor group from long and short term creditors. The Frazier bill, introduced into Congress last Spring, embodied provisions for refinancing farm mortgages at lower rates of interest through Federal Farm Land Banks. Even Governor Roosevelt in his Topeka speech said that he was prepared to insist that "Federal credit be extended to banks, insurance or loan companies or individuals which hold farm mortgages among their assets, but on the condition that every reasonable assistance be given to mortgagors where the loans are found with the purpose of preventing foreclosures," and he would also adopt "the definite policy of giving those who have lost the title to their farm the preferential opportunity of getting their property back." Mr. Hoover at Des Moines proposed to give the Federal Land Banks "resources and liberty of action necessary to enable them definitely and positively to expand in the refinancing of the farm mortgage situation where it is necessary to give men who want to fight for it a chance to hold their homes."

The demand for this kind of legislation, though little known in the East, has widespread and active support in the agricultural regions. The proposal is breath-taking because of the figures that are involved. It proposes to refinance $9,000,000,000 worth of mortgages by the issue of government bonds which will raise the funds and place the government in the position of virtually sole mortgage holder of the farmer. The proposal is not without precedent. The Federal Government in 1913, under the Land Bank System, went into the farm mortgage business and from that time to this has put $2,000,000,000 into farm mortgages. Though mortgages by the Land Banks were to be given only on 50 per cent of the value of the farms, the last report of the Land Banks indicates that, because of the delinquent interest payment, foreclosure proceedings, losses on resales and frozen capital, and because of foreclosed farms held, the banks had lost about $87,000,000. Emergency legislation which was rushed through Congress last Spring gave the Land Banks an additional $125,000,000 of government money.

Presumably the sponsors of this refinancing measure propose to extend farm mortgages to the farmers at even lower rates of interest than have been extended by the Federal Land Banks. It is also proposed to extend mortgages on even more liberal terms, and, in consequence, the ultimate losses to the government may be expected to be very much larger than they have been in the case of the operation of the Land Banks. So huge a financial operation on the part of the government may be opposed by the taxpayers, but it may be expected that approval for such conversion will come not only from farmers but from insurance companies, farm mortgage companies, joint stock land banks, commercial banks and the rest of the institutions and individuals that now hold the $7,000,000,000 of farm mortgages to be taken over by the government.

These mortgages are a doubtful asset. Take the case of the average mortgage in any of the Northwestern States, say Iowa. It is not uncommon to find the average 160-acre farm mortgaged at about $10,000, or about $60 an acre. Until 1929 such a figure was regarded as a conservative mortgage. Mortgages on much of the land in Southern Iowa and in Minnesota amount to at least $60 an acre. On

this basis the farmer is expected to pay interest of $3.60 an acre and, in addition, about $2 an acre for taxes, making a funded debt of $5.60 per acre. But with oats selling at 10 cents a bushel—and a forty-bushel crop is considered a good crop—the gross income from the acre will be insufficient to pay the funded debt, to say nothing of meeting out-of-pocket expenses such as binder twine, tool repair, and certainly nothing at all for the farmer's labor and equity.

The same conclusions will be reached by analyzing figures for the production of wheat at 35 cents a bushel, corn at 18 cents a bushel, hogs at $4 a hundred pounds, or beef at $6 a hundred pounds. It can be shown that at present price levels a large part of the value of the mortgages has been wiped out, as well as the farmer's equity in his land. When wheat was $2.50 a bushel, Iowa land was easily worth $450 an acre; today, when wheat is only 35 cents a bushel, the value of land is uncertain.

In brief, the government would take over mortgages amounting to $9,000,000,000 that by no stretch of the imagination are worth that amount. But unless the mortgages are refinanced or prices are advanced, the independent farmer-owner operator is in danger of disappearing. Because of inability to meet interest payments there has been an increasing number of foreclosures and the land has passed progressively into the hands of mortgage holders. For the United States as a whole, 42 per cent of the farmers in 1930 were tenants, compared with 34 per cent in 1910. But the 1930 census was taken before the deepest depression had overtaken the farmers. It is not improbable that in 1932 more than half of the farmers are tenants. The 1930 census shows that in Northwestern States such as Iowa, Minnesota, the Dakotas, Kansas and Nebraska almost 50 per cent of the farmers are tenants.

But when a mortgage holder becomes a farm owner he is subjected to heavy losses. Insurance companies bought mortgages to obtain interest, not to go into farming, directly or indirectly. When they begin to receive rent rather than interest they are forced to admit a sharp shrinkage in the value of their capital investment. For example, a farmer whose gross income is about $1,000 a year, and who has a $10,000 mortgage, is expected to pay $600 interest and about $300 taxes and to keep for himself $100 to pay him and his family for their labor, to cover interest on his equity and other out-of-pocket expenses during the year. When the mortgage is foreclosed and the insurance company takes over the farm he is now expected to pay rent instead of interest and taxes. Assuming that he again has a gross sale of $1,000 during the year, he will now pay one-third of that in rent to the mortgage holder, or about $330, and keep $670 for himself. The mortgage holder, out of rent will pay the $300 taxes and have $30 as interest for his $10,000 equity. The $30 capitalized at 5 per cent makes the $10,000 mortgage worth only $600.

Of course not all mortgages show so sharp a shrinkage, but there is no doubt that a vast amount of farm mortgages in the United States has sharply declined in value as a result of the price collapse and that all mortgage holders now face heavy losses. They will join the farmers in welcoming any steps on the part of the government that will assist them out of their difficulties.

But, in any case, the perilous position of the farmer makes it imperative that he be subjected to no further economic handicaps. Already he has been too long the victim of tariff exploitation. Absentee farm ownership is gaining ground and tenancy is increasing. The farmer is becoming landless and propertyless. To divest this once stable group of its property will inevitably loosen the ties that hold them to American institutions.

# Pershing and His Critics

By B. H. Liddell Hart

[Captain Hart served in the British Army during the World War and since then has built up a reputation as a leading military historian. Among his works are *Reputations—Ten Years After; Foch—the Man of Orleans,* and *The Real War, 1914-1918.* On the practical side he has drawn up plans for troop manoeuvres which have had wide circulation in European army circles. At the present time he is military correspondent for the London *Daily Telegraph.*]

The historical importance of General Peyton C. March's memoirs (*The Nation at War.* New York: Doubleday, Doran & Co.) lies, above all, in its crisp and clearly marshaled record of America's military effort in the World War. His style reminds one of Foch's story of how he gained his military reputation by the feat of assembling 100,000 men for review on a small parade ground—"a mere pocket handkerchief"—and getting them off in a quarter of an hour—"like a flight of sparrows." Just so does Peyton March deal with the salient facts and often stupenduous figures of this war expansion, parading them with a conciseness and a brevity that allows the the reader little time for breath, if also little excuse for boredom, yet leaving a lasting impression. Rare are the diversions which the author permits himself from this parade of strictly aligned facts. But it is those few diversions, especially his barbed references to General Pershing, that are likely to give the book its sensational interest.

In attempting a judgment on these controversial issues I have no such personal knowledge to guide me as in the case of European leaders. This at least insures complete detachment. At the same time it may mean a remoteness from the inner truths which are so often concealed behind the highly polished shell of documentary records. One feels the lack of an implement that can be used in piercing this shell. Nevertheless, the want may be a stimulus to another line of approach. It compels one to rely more fully on a test that experience of research into war history has brought one to value above all. This test consists of judging men by their conception rather than by their execution, by the vision and realism of their ideas rather than by results. In war, especially, accident plays so large a part that results are often deceptive. But in a man's own explanation of the reasons which prompted his acts one can often find the fairest measure of his calibre. So strongly has experience imbued me with the truth of this form of test that I would even say, "No man is condemned save out of his own mouth." But too many do this! How often do idols shatter their pedestals in attempting to elevate themselves higher in the view of posterity. How often do they disperse with their own breath the cloud of legend that has lent enchantment to their statue and magnification to their stature. And how rarely do they avoid disclosing prejudices for which the historian can make due discount.

General Pershing is a case in point. From my appreciation of his difficulties no less than my recognition of the basic facts of his achievement, I had formed an opinion of him which is embodied in *Reputations—Ten Years After.* Nothing had impressed one more strongly in his favor than the note of admiration-in-spite-of-themselves which came from many who served under him. My estimate of him

remained unshaken until he published his own memoirs.

With his own hand he there knocked off a lot of plaster, revealing defects hitherto undiscerned. Happily, sufficient was left to preserve the impression of a strong and vigorously constructive character. But he revealed strange limitations of outlook and of knowledge in a man cast by fate for so big a rôle. More significantly still, he showed such an ingrained suspicion of other people's motives and recited with such obvious pride his own unconciliatory rejoinders that one could not help seeing that he must have been a very difficult team-mate.

Now Peyton March caps these inferences with explicit comments. He tells us, in regard to Pershing's relations with his allies, that he warned Colonel House that Pershing "ought not to be allowed to undertake diplomatic work of any kind and that he was peculiarly unfitted for it." But it was not merely an incapacity for diplomacy when dealing with the requests of the Allied Governments. Peyton March further declares that "as the A. E. F. increased in size, General Pershing's inability to function in team-work with his legal and authorized superiors increased," until he not only jibbed at displeasing orders but tried to place a nominee of his own in the seat of authority. "He wanted a rubber stamp of his own as Chief of Staff at home, so he could be entirely independent of any supervision or control." There is a pungent wit in the comment, and its sting is not leavened by Peyton March's regretful after-comment: "Unfortunately, I did not know about this particular letter until after the war. There would certainly have been a show-down if I had." We are told also of Pershing's inability to work with men like Generals Goethals, Leonard Wood, Sibert and Bliss which "showed clearly a marked fear of men whom he recognized as men of great ability."

This charge of small-minded jealousy has an unpleasant sound, even though the historian knows only too well how frequent the flaw has been in the character of great military men, from Napoleon downward. Yet if this supplementary charge rings true in the ear of the audience to the controversy, it is partly due to the way that Pershing's own memoirs support the main charge.

Unfortunately, there is also the indirect evidence of a letter from Pershing himself, reprinted in the present volume, in reference to General Leonard Wood. On the causes why the services of this famous soldier were not utilized Peyton March sheds fresh light. After mentioning that on the declaration of war the choice of the Commander-in-Chief of the A. E. F. "immediately narrowed down to" Wood or Pershing, he assures us the passing over of the senior was "largely affected" by Wood's physical defects, due to an old injury. And although this is a reasonable justification, it is not entirely convincing in view of the fact that even Mr. Newton Baker said no more than that the health factor "influenced" the choice.

Leonard Wood was appointed in slight compensation to train a division for service in France. Pershing, however, told March that if Wood came to France with his division he would send him back. After Wood had made a brief tour of observation in France, Pershing reiterated his objections in a trenchant memorandum. March says frankly that he found Wood always "obeyed promptly and efficiently" any orders he gave. Nevertheless, he decided to support Pershing's objection with the power of the War Department, even though the medical board under General Arthur had passed Wood for service in France. As a detached student of this issue one feels that March's action was not only justified but wise. So long as Pershing was retained as Commander-in-Chief,

and showed such antipathy, it would have served no good purpose to send Wood to serve under him in France—only an American repetition of the Joffre-Galliéni trouble. Pershing, too, has a case for his attitude. To put a famous senior under the command of a junior who has yet to win his spurs is a course that makes difficulties for both. But just anticipation of these difficulties does not excuse the tone of Pershing's memorandum. It referred to Wood thus:

"He is the same insubordinate man he has always been. His attitude to the President is implied in his remarks in ordinary conversation, though always in an intangible way. His criticisms of the Secretary of War and the War Department administration are all along the same line.

"While here he has done a lot of talking around Paris and has had his picture in the Paris *Mail* as 'America's Greatest Fighter' and has been mentioned several times as one who could reorganize the War Department as Chief of Staff. You already know of his talk in London, where he is said to have discredited the army and the administration in the eyes of our Allies, as has already been reported to Washington. * * *

"He has posed as wanting to help by taking back word of our needs. He was promptly and very pointedly told that he was not to take any such action, nor would it be wise for him to go about talking to politicians. Also, that the present Chief of Staff at Washington was thoroughly familiar with the situation here.

"It seems high time that meddling political Generals be put where they can do no harm. The physical condition of this one is sufficient warrant for action, and any honest board like the Arthur board would declare him incapacitated at a glance. He drags his left leg worse than ever and the sight of a lame man like this going about our allied armies posing as 'America's Greatest' must have been anything but inspiring to our Allies."

Such a document is a notable addition to the history of human malice. No one can help perceiving the rancor, jealousy and spite which ring through the passages. The attempt to prejudice the President, the Secretary of War and the Chief of Staff individually against Wood by appeal to their own self-interest is too palpable to be missed. Equally shameless is the disclosure of spying upon Wood to catch incautious words that might help conviction. Pershing's repeated remarks about Wood's "lack of loyalty" may be equally significant. One has learned from experience that those who are naturally loyal say little about it, and are ready to assume its presence in others. In contrast, the type of soldier who is always dwelling on the importance of "loyalty" usually means loyalty to his own interests. In 1918 Pershing had the satisfaction of preventing Wood from going to France. For the sake of this short-lived satisfaction he has placed a lasting stigma on his own character—out of his own mouth. It is sad to see such a fall from greatness. No man, however, is as bad as his worse impulses, nor as stupid as his prejudices.

The reflections cast, directly and indirectly, by Peyton March on Pershing's character are supplementary to some very direct charges against his conduct of affairs, outside the field of battle, as Commander-in-Chief of the A. E. F. They relate, above all, to defects of vision. The most sensational is perhaps the assertion that propaganda had been rife, and that such propaganda was wrong, in "ascribing the idea of a separate and distinct American Army to General Pershing." To prove this point Peyton March prints and sets side by side two papers. One was prepared by Pershing on May 26, 1917, with the assistance of General Harbord, and sets out Pershing's idea of what his formal "letter of instructions" should be. The other was

an alternative prepared by the general staff and on the same date. The latter was accepted and signed by the Secretary of War and so replaced the former, which Peyton March designates "a very poor piece of general staff work."

The most important paragraph in the approved draft and missing in Pershing's is one which says that "the underlying idea must be kept in view that the forces of the United States are a separate and distinct component of the combined forces, the identity of which must be preserved." The point is of historical interest, but General March's emphasis upon it seems rather out of proportion to its importance. The two documents bear out the letter but hardly the spirit of his argument. Without more evidence it is scarcely credible that a man like Pershing, who showed himself so intent to create and keep an independent army at all costs, so ambitious to extend his own power and preserve his own independence, should not have thought of the idea until later. One can imagine an oversight in hasty drafting, or, more probable, a hesitation to claim too much power on paper lest barriers be raised against its realization. But the other suggestion is contradictory to every picture of Pershing, including that which March himself paints.

A far more substantial point is contained in March's answer to Pershing's complaints about the deficient supply of aircraft. March frankly admits the initial failure of the plans for aircraft production, made worse by the "stupid exaggeration * * * of our early claims." But he goes on to say that "while the conditions at home were bad enough in those early days, the confusion existing was largely increased and accentuated by the fact that General Pershing was constantly altering his requests for airplanes. We never knew from day to day where he stood. As soon as we got going on the construction of a type which he had stated was necessary, a cable would come in from him, saying that he did not want that type and asking for something else. * * * He did not seem to have the faintest conception of the effect on production of all this vacillation." The reader has here to take the facts on Peyton March's assurance, and no evidence is provided. Assuming them to be correct, the immediate responsibility for this uncertainty of mind was not Pershing's but the board of presumable air experts working under him; but it is, nevertheless, a serious reflection on his ability to create and control a staff organization.

A more direct reflection, however, on his judgment in the wider sphere of war is contained in March's revelation that when the armistice was actually in sight Pershing was still cabling demands for huge quantities of troops and material for delivery "far into 1919." In contrast, March stopped all purchases save of food and forage on Nov. 7. He had already answered Pershing's "preposterous demands" for troop reinforcements by directing that the shipment of American troops for France be stopped altogether on Nov. 1, 1918, eleven days before the armistice. "Thus," he adds justifiably, "I saved the taxpayers of the United States millions of dollars."

In regard to this charge against Pershing, a quotation from a letter of Pershing's on Nov. 2 is adduced in proof: "Divisions in the United States should be stripped of trained or partly trained men and shipped immediately. Cannot this matter be given the consideration its importance deserves?" March ironically adds: "And that was precisely the amount of consideration that was given it." In extenuation of Pershing's demands it is fair to point out that even on that date none of the Allied commanders, including Foch, was as sure of Germany's impending collapse as March can be now. On the

other hand, we know that Pershing was so ambitious of winning a resounding victory that he protested against the armistice and wished to continue the war when all the other commanders were satisfied that the armistice terms provided all the results of victory without more expenditure of life.

When Peyton March informs us that it was owing to Pershing that the American division was organized on twice as large a scale in man-power as the other armies, he passes to a matter where any student of war can judge the value of his criticism—and will endorse it. Even the British division proved too large for flexible manoeuvre, so how much more unwieldy must the American have been, and how needlessly unfair a test on commanders who were having their first experience in active operations! Undoubtedly, also, there is substance in Peyton March's contention that in a war where strength was normally counted in divisions, the actual number of out-size American divisions tended to give an under-impression of the force that America had put in the field.

The awkwardly cumbrous size of the divisions may also have been a factor in leading Pershing to spend so long in further training of them after their arrival in France. March appears to ascribe it mainly to Pershing's military conservatism. He says that "the practical effect of the Pershing policy was that large bodies of American troops, divisions whose morale was at the highest point, who had had from four to six months' training and often more in camp in America * * * found the keen edge of their enthusiasm dulled by having to go over and over again drills and training which they had already undergone in America."

March also has a rebuke for Pershing's attitude in the 1918 crisis: "The constant clamoring by our allies for the use of American troops * * * was not based on simply selfish considerations. These men were fighting for their lives, and they saw these great bodies of Americans held in training areas" when obviously fit for use in the campaign.

He reveals that Secretary Baker had already tried in vain to speed up Pershing's pre-war notions of time required for training, when the "Argonne battle compelled all his theories to vanish and he had to shove men into the fighting line just as fast as he could get them."

Another point of which any realistic student of the war can appreciate the truth is March's criticism of Pershing's demands for cavalry. As March rightly points out, "I knew that Great Britain and France had each had for a long time, in the rear of the lines, large bodies of cavalry in reserve, simply eating their heads off and serving no useful purpose." To increase this useless mass Pershing, whose cavalryman's instinct here dominated his reason as a strategist, would have upset the shipping program of necessary troops and weapons. Already in Russia, Peyton March emphasizes, the supply of forage to a huge cavalry force had "reached a point where all railroad and other forms of transportation were given over to carrying supplies for the horses to the exclusion of munitions and food for the rest of the army and the people of Russia, with the result that the first outbreaks of discontent which swelled to open rebellion were based entirely on this matter of lack of food * * * when the means of getting it were being used solely to carry grain for the cavalry. * * * The cavalry arm was a gigantic incubus on the neck of the proletariat of Russia which finally drove it to breaking point."

In weighing Peyton March's animadversions on Pershing it is proper to weigh up the witness. And in doing this it may be safer to rely on the "self-revelation test" expounded

earlier than on the diverse opinions I have heard expressed about him. The clearness and conciseness of his memoirs make a favorable impression, all the more so by comparison with the inconsequent arguments and diffuseness that pervade so many of the memoirs of war leaders. Combined with his power of marshaling his facts, these qualities certainly convey a strong hint of administrative talent. And the impersonal facts he brings out go further to support this deduction. The broad sweep of his judgment as a war director is suggested by his timely stoppage of purchases and troop shipments when the end of the war was in sight, and also by his timely conversion of cargo boats into troop ships to bring back the army from France—as the shrinking number would need smaller supplies.

What especially impresses one is General March's ability to give logically thought-out reasons for his actions. In this respect so many successful soldiers betray themselves as little better than lucky gamblers. If March fails to give any profoundly logical or historical arguments for his support to the strategy of concentrating on the western front, he is nearly always convincing when he deals with administrative questions. And if he makes a number of small historical slips in reference to the campaign in Europe, they have no importance compared with Pershing's astounding assumption that the French method of war was traditionally defensive—a "howler" which March does not omit to correct.

There is a refreshing honesty both in his admission of certain defects and in his recognition that "the army is a very conservative institution." If the tone of his comments on air power, and gas and military education show a slight trace of conservatism, his attitude over the questions of the time required to train picked men in war, the use of cavalry and the follies of the censorship—which he wisely loosened—attest a decidedly untrammeled mind. His open-mindedness is further shown in his biting comments on the military habit of "passing the buck," of saddling Congress with all the blame for unpreparedness. In all countries the majority of soldiers have this childish convention of regarding all politicians as ogres, and bring most of their troubles—for which the nation pays the greater price—on themselves in consequence. His readiness to see the other man's point of view is also shown in his references to the Allied appeals for American help. The remarks about Lord Reading are an example, even though he could here afford to be generous, having got the better of Reading in securing British shipping to transport complete divisions as he wished.

The final impression from all this deductive evidence is that of honesty as well as fearlessness in March's testimony. If so, his very honesty may have checked him from disguising his resentment of, and retaliation for, Pershing's attempt to pass the blame to the home authorities for anything that went wrong. In judging Pershing, the historian would certainly have to allow discount for this bitterness in any matter where the facts were in doubt. But, as we have seen, most of them can be tested, and too many of them, unhappily, can be proved by Pershing's own witness. In writing on the history of the war in past books one compiled a considerable credit balance for Pershing. Since then he has erased a number of the entries with his own pen and added to the debit side. Even so, a substantial amount still remains. But it would have been better if he had been wise enough to anticipate the disarming candor of Peyton March.

# The Webbs: Prophets of a New Order

*By* G. D. H. Cole

[Mr. Cole is University Reader in Economics at Oxford and a leading authority on the history and problems of the British Labor movement. His article is followed by the first of a series which Mr. Sidney Webb is contributing to this magazine as a result of a visit, with Mrs. Webb, to Russia in the Spring and Summer of 1932.]

If any man deserves to be regarded as the prophet of a planned Socialist economy, that man is Sidney Webb—for he prefers to be called by that name rather than by the title of Lord Passfield, which he consented to take only because the British Labor Government needed his services in the House of Lords. And if any one deserves to be regarded as the first person to recognize the vital parts which trade unionism and cooperation—the two great voluntary movements of the wage earners—would need to play in the working of a Socialist community, that credit belongs to Beatrice Webb, who must on no account be called "Lady Passfield," for she has steadfastly refused to accept the title, on the ground that she is under no obligation to share in her husband's enforced ennoblement.

These two remarkable people's vision of how socialism was likeliest to come may have proved to be very wide of the mark. Their socialism, as a political policy, may have suffered from the lack of assured and dogmatic philosophical foundations. They have made many mistakes, about measures as well as about men. But they have never lost hold of two things—their belief in a planned and orderly basis for the economic life of society and their assurance that such a society can be securely built up only on the foundation of a strongly knit and active working-class movement.

Now, after giving their lives to preaching the virtues of "gradualism" as a way of approach to the new social order which they want to see in being; after being above all other people at the back of the gradualist policy of the British Labor party, and after being content to work for socialism through any and every human instrument, Socialist or non-Socialist, that has come to their hand, they find their most cherished ideas actually being carried into practice by a body of Socialists armed with a method and ideology radically different from their own. As I write these words they have just returned from visiting Russia in order to see for themselves what a planned Socialist community is like.

Before we consider the ideas for which they stand, let us set down the main facts of their careers. On July 13 Sidney Webb was 73 years old. When 19 he entered the civil service, where he worked for thirteen years, chiefly in the Colonial Office. During this time he was called to the bar. The year after he resigned his civil service post, in 1891, he was elected to the London County Council as a candidate endorsed by the Fabian Society, which he had helped to organize in 1884. For eighteen years he remained on the council, and at each of his four re-elections he was returned at the head of the poll. His chief interest during this period was with the Technical Education Board, of which he was chairman. From 1903 to 1906 he served on the Royal Commission on Trade Union Law and other important bodies. He married

Beatrice Potter, six months his senior, in 1892. Mrs. Webb was a writer on economics and sociology in her own right and had been in close personal contact with Herbert Spencer, who for some time had a considerable influence on her thought. At the time of her marriage she was already the author of *The Cooperative Movement in Great Britain* and a contributor to Charles Booth's *Life and Labour of the People.*

The Webbs' first important essay in joint authorship was their *History of Trade Unionism,* published in 1894; and this was followed by numerous other joint works, including their series of volumes on the history of English local government and the famous Minority Report of the Royal Commission on Poor Law and Unemployment, of which Mrs. Webb was a member. After that their intellectual influence in the British Labor movement grew steadily. They played an important part in building up the London School of Economics and Political Science, where Mr. Webb was Professor of Public Administration. They were instrumental in the founding of the weekly *New Statesman* in 1913. Mr. Webb was a member of the Labor party executive from 1915 to 1925. Elected to Parliament for the first time in 1922, he was named President of the Board of Trade in the Labor Government of 1924. In the second Labor Cabinet he served as Secretary of State for Dominion Affairs and for the Colonies.

For a lifetime the Webbs have labored in the most selfless and devoted fashion to make socialism a practical working plan of social reorganization as well as a vision of a new kind of society. They have never forgotten their idealism; but they have severely disciplined it and kept it in check. They have felt an insatiable curiosity about the foundations of the movement with whose aid they have been attempting to build up the new social system. During a time when other Socialists were denouncing trade unionism as a reactionary movement, a mere aristocracy of skilled workers shut up within the ideology of the wage system, they set out to write its history and to prescribe for it a Socialist faith and doctrine. Almost alone, they have been the candid friends of the consumers' cooperative movement, criticizing its working and its methods of organization and trying to help toward its reshaping as a necessary element in a Socialist community. Deeply impressed with the importance of local government institutions within the national State, they have devoted years of laborious work to writing the history of English local government and trying to work out the right relationship between national and local institutions under a Socialist system. No labor has been too great for them to undertake; and no failure to recognize the importance of their work has for a moment deterred them from going on.

They have their limitations, no doubt. They have never been internationalist enough or conscious enough that the British political conditions, on which they have based their schemes, have been in the nature of a curious historical accident. But the fact remains that they have done more Socialist thinking than any one since Karl Marx, and that they have been always extraordinarily ready to modify their ideas and plans in the light of changing conditions.

Wide as are the differences between the Marxist communism of Lenin and Stalin and the Fabian socialism with which the Webbs are inseparably associated, the points of identity between what they have been aiming at all their lives and what is now actually being accomplished in Soviet Russia go far deeper and are far more important than the differences. The Webbs' fundamental Socialist faith is such that they were bound to

realize this and base their judgment upon the Russian experiment on an essential community of aim. The differences, indeed, concern mainly the means of bringing about socialism, and not its character when the Socialists have attained to power; they are the product partly of the different political and economic conditions of Great Britain and Russia and partly of a real divergence of mind and outlook. While the Communists were still struggling to obtain power they seemed to have little in common with the Fabian Socialists, but, power once securely in their hands, they have turned unhesitatingly to the building up, in their own way, of a society in many ways very like that which Mr. and Mrs. Webb have been advocating for the past forty years.

At the time when the Webbs began their work in England there was no Labor party, hardly any Socialist movement, and not the smallest adumbration of an English Socialist revolution. There were few English Marxists, and most of these had not read Marx, or at any rate had not understood him. The Webbs, if they studied Marx at all, got little or nothing out of him. They came out of a very different economic and political tradition to socialism—from John Stuart Mill and Stanley Jevons, the heirs of Jeremy Bentham and the apostles of the utilitarian doctrine.

This doctrine was in essence critical, selective, reasonable in the sense of trying to see the pros and cons of every particular project, and, above all, cool and suspicious of generalizations and enthusiasms. It passed, by way of Mill, from an insistence on individualism and *laissez-faire* to a kind of socialism that was mainly made up of particular social reforms, each of which was justified as contributing to the "greatest happiness of the greatest number." It aimed at getting these reforms adopted piecemeal, one by one, and it was ready to accept help from any quarter in securing their adoption. It did this the more readily because it had combined its utilitarianism with a profound belief in evolution, as applied to the processes of social growth. It looked forward to the new Socialist society as a thing that would emerge gradually out of capitalism, by a series of piecemeal changes, and almost as fast even if there was no Socialist movement to hasten its coming. It was held— and no one held the view more firmly than the Webbs—that the force of evolution was working swiftly and surely on the Socialist side.

Karl Marx, in his own way, held this doctrine of social evolution no less firmly than the Webbs, and was no less under the influence of evolutionary ideas. But whereas Marx, working with an intellectual dialectic, after the manner of Hegel, thought of social evolution as proceeding by means of a succession of class struggles and to the accompaniment of recurring social revolutions, the Webbs conceived of the evolutionary process as essentially gradual and unviolent. This difference arose partly because Marx was thinking mainly in terms of continental countries to which the forms of parliamentary democracy were denied, whereas the Webbs grew up in an England where, except for woman suffrage, parliamentary democracy was already almost complete, and there seemed no inherent impossibility in supposing that the parliamentary machine could be used for the gradual building up of the Socialist State. The thing had not then been tried. There had been no Labor Governments to come up against the real difficulties in the way. It seemed possible enough to imagine that the successful and flourishing capitalist system would go on working with reasonable efficiency until, bit by bit, the Socialists were ready to take it over, and to envisage a period of transition during which the Socialist and capitalist institutions would be

functioning smoothly side by side.

But the Webbs, however convinced they were in those days of the "inevitability of gradualness," were never content with a merely partial and piecemeal vision of the socialism they were trying to set up. Interested deeply in the machinery, as well as the ideals, of socialism, they wanted to see—and to make other people see—what a Socialist community in full and complete working order would be like. They never ceased to attack the planlessness and meaningless disorder of the capitalist system, or to set up against it their vision of an ordered and planned economic system, based on the coordinated control of the resources at the nation's command. They wanted industries to be publicly owned and administered. But they wanted much more than that; they wanted public ownership as the means to rational planning of the nation's economic life, to an orderly proportion in the production of different types of goods and services, and to a distribution of incomes that would fit in with the new order of production and provide an effective demand for all the useful things that the community decided to produce.

In short, the entire idea of a planned national economy, as it is being practiced in Russia today, is contained in the Webbs' Socialist writings and has from the first lain at the back of their unremitting propaganda. This comes out with perfect clarity in many of their earlier pamphlets—in Sidney Webb's *Towards Social Democracy*, for example—and in many of the anonymous tracts published by the Fabian Society under their influence. They taught British Socialists the idea of economic planning—and not British Socialists alone; their influence on foreign Socialist movements was also very deep. Most clearly of all, this notion of a planned economy comes out in the Socialist books which they wrote after the war—*A Constitution for the Socialist Commonwealth* and *The Decay of Capitalist Civilization.*

There is much in these books, especially on the political side, that is as the poles apart from the ideology of Russian communism. The Webbs have always—or at least until very recently—tended to do their thinking in British terms, and in relation to the political situation in Great Britain. They have hardly argued about the basis of parliamentary democracy, for they have tended to take its existence for granted and to consider only how its forms and its working can be improved. They have worked out their theories on a basis of persuasion rather than of force, and have envisaged a Socialist community operated by the methods of parliamentary democracy, with an unmuzzled press and a free force of private criticism always bearing upon it. Indeed, when they took for their slogan, in their *Constitution for the Socialist Commonwealth,* the principles of measurement and publicity, they were clearly thinking of a society in which criticism of any and every sort should be given the fullest play, and as much as possible to feed on, by the most complete disclosure of the actual working of every governmental institution.

All this is, of course, very different from the Communist attitude. Stalin and his colleagues will endorse every word the Webbs have written about the need for the most careful and scrupulous measurement of the efficiency of a socialized system in delivering the goods. That is of the essence of the "control figures" by means of which the operation of the Five-Year Plan in Russia is continuously being checked. It is at the back of the constant self-searchings of the Communist party and of the unceasing vigilance to prevent slackness or sabotage in any part of the economic system. But publicity, in the sense in which the Webbs have envisaged it, is quite another matter.

It implies an unrestrained freedom of criticism, not only of the sectional efficiency of this or that particular organ of the Socialist economy, but also of the Socialist system as a whole. It implies the toleration of non-Socialist or anti-Socialist criticism, or at any rate, of brands and forms of socialism out of harmony with the views of the dominant group.

Since political as well as religious toleration is a very long-established British tradition, won as the reward of prolonged and embittered conflicts, it comes hard to an Englishman to think in terms of dictatorship, because it seems to mean turning his back on so many past victories for reason and sanity in public affairs. Toleration has been of great value to the cause of social progress in Great Britain, and it is the soil in which British socialism has grown up. That is not to say that it can stand the strain of a direct and immediate challenge by socialism to the capitalist system, but it explains why people in Great Britain—even Socialists—are so reluctant to cast it aside. It is a thing of great value in itself, and so far it has permitted them to thrive and to win converts. Must it now be given up? Was Marx right, after all, in envisaging the coming of socialism as involving a desperate and unrestricted struggle between class and class?

It is hard, even today and in face of what has happened in Russia, for British Socialists to believe this, because the simple categories of the class struggle seem to fit so ill the actual arrangement of classes in Great Britain. Instead of a simple confrontation of wealthy capitalists and propertyless proletarians, there is between the two extremes a far greater diversity, with a big and multiform middle class of highly skilled artisans, salaried workers and technicians, professional men, small traders and small capitalists. These intermediate groups exist, of course, in other countries besides Great Britain. But nowhere do they both exist to the same extent and so readily respond to, at any rate, some Socialist doctrines. Among them chiefly has the Fabian Society found its converts, and they form an important and influential element in almost every local Labor party.

The gradualist socialism of the Webbs, with its conception of a planned economy emerging gradually and painlessly out of the capitalist system, has appealed especially to people of this sort, not only because they have a good deal to lose, fear chaos and disorder, hate conflict and love toleration and easy living with their fellows, but also because the planned order and system of the Socialist economy makes a strong appeal to their minds. They can see how wasteful and disorderly the present system is, and they would like to play their part in setting it straight. But they have their little independence and their established position, and they hate the thought of violent revolution and of civil war.

The importance of these elements in the working as well as in the middle classes has prevented communism from taking any deep root in Great Britain. But of late, in the minds of many people, and not least, I think, of the Webbs themselves, doubts have been growing whether the easy transition to socialism which they once envisaged is likely to come about. The failure of the two Labor Governments—both in a minority it is true—to make any impression at all on the structure of capitalism has fed these doubts, and as some instalments of collectivism are infused into the economic system, it is increasingly realized how hard it is for socialism and capitalism to live on terms, side by side, during a protracted period of transition.

These doubts, I think, bit sooner and deeper into the mind of Beatrice than of Sidney Webb, for she has the

quicker and the more imaginative, and he the more orderly and systematic, way of thought. Moreover, he was in office in both Labor Governments and was preoccupied with their day-to-day affairs, while she, outside, could see more plainly what was coming about. I think it was she, rather than he, who felt irresistibly the desire to go to Russia, while he, rather than she, is the real progenitor of the idea of national planning which the Russians are now putting into effect.

At all events, Sidney and Beatrice Webb, well on in years and with an unequaled record of disinterested service to the cause of British socialism behind them, went this Spring on a pilgrimage in order to see for themselves this astonishing new world that the Russian Communists are straining every nerve to build. And in Russia they were received as no other country in the world could receive them—as the honored prophets of the new order which they had the vision and sanity to imagine a generation before the chance actually to create it anywhere arose. Associated though they have been with the idea of a gradualist and evolutionary socialism in Great Britain, they did not find anything shocking in the disciplined dictatorship which the Russian Communists, fully conscious of the instinctive unpunctuality and haphazardness of the Russian temperament, are endeavoring to use as the instrument of Socialist construction.

When the Webbs went round the world, I remember well that they came back full of admiration for Japan, where people knew what they wanted and had a way of getting it done, but with a marked failure to appreciate the good qualities of the people of China. China offended them by its shapelessness and incapacity for collective organization, whereas they found in Japan all the qualities needed for a well-conducted Socialist State except the will to socialism. The Webbs have no love for anarchists of any kind, at all events in political affairs. They are fond of describing world affairs as an everlasting conflict between the As and the Bs—between the anarchists on the one hand and those who love order, system and disciplined control on the other. They will tell you, and not weary of telling you, that they belong to the Bs, and I doubt not they have found that Stalin also is a "B." Trotsky, perhaps, is an "A," but is not that precisely why Trotsky, his work in helping to achieve the revolution done, is now an exile? The control in Russia has passed from the As to the Bs, as the revolution has passed out of the combative into the constructive stage. The Webbs would have been fishes out of water in the Russia of 1920; they seem to have found themselves thoroughly at home in the Russia of 1932.

So the apostles of "gradualism" have been to Russia to survey the working of a Socialist revolution brought about by catastrophic means. I think they have found amid all the differences of method and idea a society whose fundamental structure fits in very closely with their own vision of the Socialist future. They went in order to see after what fashion their dreams of a lifetime were coming true, and they were far too open-minded to be put off because Lenin and his successors had worked toward the common goal by methods which were not their own. Bernard Shaw, disciple in economic matters of the Webbs, came back from Russia an enthusiast for the Soviet system. It will not surprise me if his masters, after their more critical and less extravagant fashion, celebrate their return by presenting Stalin with a no less decisive tribute.

# Business Life in Soviet Russia

*By* SIDNEY WEBB

[This is the first of a series of articles on Soviet Russia by Mr. Webb, for an account of whom see the preceding article by G. D. H. Cole.]

EVEN after making every allowance that hostile critics demand, it is clear that the economic position of Soviet Russia is today extraordinarily different from that of every other State in the world. In Soviet Russia the aggregate volume of production is increasing year by year. Though still in a backward state, this country is indisputably turning out and distributing every year more oil, more coal, more iron and steel, more grain of various kinds, more boots and shoes, and so on, than during the preceding year. In the rest of the world production persists in falling off, except where so much is produced that less than ever gets distributed!

True, we hear of this and that new factory in Soviet Russia being at a standstill through a shortage of competent management, or of skilled mechanics, or of particular components, or because of some other technical inefficiency. In Western Europe and the United States not one or two but a considerable proportion of all the factories in the principal industries are closed down, owing to causes much less comprehensible. Last Summer there was in every Russian city an incessant din of building, nearly everywhere three shifts working night and day. New factories, new workers' dwellings, new hospitals and clubhouses, new schools and scientific institutes and new government offices were being rushed up in great numbers. In some other countries structures in course of erection have become rarities; architects are starving and a large amount of building enterprise is indefinitely postponed.

Soviet Russia has been able, without popular outcry, for the past two years entirely to suspend its unemployment benefit simply because the government can and does find places at trade union rates of wages, either in productive work or in technical training, for every applicant. No Russian workman is allowed to forget that, throughout the whole Western world, somewhere between one-tenth and one-third of the entire population are without wages; and that every capitalist government confesses its inability to find them either employment or training.

The number of separate books annually published by the State Publishing House at Moscow—and there are others—considerably exceeds the number issued by all agencies in Germany or in Great Britain or in the United States, while the average edition is vastly greater, and the net pecuniary profit of this one business to the Russian Exchequer—notwithstanding that authorship is the best paid profession in the country—certainly exceeds that of all the publishers in any capitalist nation. Perhaps this may not be unconnected with the curious fact that the Soviet Government (central and local) is, this year, spending on the education of its far-flung population of 160,000,000 actually a larger sum per head than the British Government is spending on its 45,000,000.

The whole of this paradoxical contrast is compatible with the fact that, compared with the United States, Great Britain and Germany, the volume of wealth production and the

standard of life of the Russian people are still very low. This has always been the case. Moreover, the difference in wealth production is not in the tools or the processes. In their sowing and reaping, their mining and manufacturing, their transport and communication, their distribution and consumption of all that mankind wins from nature, the Russians use much the same processes as the rest of the world to overcome much the same obstacles. The sickle is still in use in Russia in the same year as the most highly evolved wheat-harvesting combine; the most primitive hammer contemporaneously with the latest and most highly developed automatic electric pile-driver. Nor can it be supposed that the human factor is more efficient in Soviet Russia. Indeed, the very reverse is true. Soviet Russia is intensely conscious of the relative inefficiency of its people, whether it thinks of its quondam revolutionaries turned statesmen, its long-exiled proletarians grappling with administration or its peasant serfs striving to become mechanics.

A more obvious difference between Soviet Russia and the rest of the world is to be found in the way in which industrial capital is owned and administered. In the United States and Great Britain the land, the factories, the machines and all the other instruments by which useful commodities are produced and distributed are—with relatively unimportant exceptions—the private property of individuals or groups of individuals. These things are managed—again with relatively unimportant exceptions—by or for their legal owners, with the great majority of the inhabitants as merely paid assistants in the task of producing pecuniary profit for the owners. In Soviet Russia the land, the factories, the machines and, with relatively unimportant exceptions, all the means of production, distribution and exchange, are owned by the public authority, local or central. These things are managed, in practically every branch of production except the old handicraft industries and agriculture, and to a large and increasing extent also in agriculture, not with the motive of producing pecuniary profit for any individual or group of individuals, but exclusively for the purpose of producing for the inhabitants at large—the coming generations as well as the present one—the greatest possible volume of the commodities that are, or may be expected to be, needed or desired by them.

What form does this organization take? Let us begin with the central government, the federal authority, which we may for this purpose take as concentrated in the Sovnarkom or Cabinet in Moscow, consisting of a President, two Vice Presidents and fifteen People's Commissars, or Ministers in charge of departments. No fewer than thirteen of these devote themselves to the organization and distribution of commodities and services, the production of which are, in this way, centrally directed. With the aid of their several departments these Ministers appoint and supervise about 100 separate boards or commissions, called trusts—in 1931, 73 for the heavy and 26 for the light industries—each of which is responsible for a particular branch of the nation's production.

These boards or commissions appoint, with more or less consultation, a responsible manager or director of each of the 8,000 separate mines, oilfields, factories and what not in which the work is done. Each of these managers or directors organizes, with some supervision by the trust concerned, his own staff, with all the hierarchy of service and specialization of departments required by an industrial enterprise which often includes from 10,000 to 50,000 workers. Each industrial enterprise, like each institute of any kind in Soviet Russia, normally chooses its own staff, from the highest assistants down to the youngest ap-

prentice. The director or manager decides, after a good deal of consultation, upon all the chief people, and the rest of the huge task is naturally organized and shared in by numerous committees of selection. Thus there is, in Soviet Russia, even as regards the industry in the hands of the central government, nothing in the nature of a single dictatorship or a single employer. There are, on the contrary, in the centralized industries alone, something like 10,000 separate managers, all of them engaging workmen and technicians of every kind.

Much the same account might be given of the other branches of the nation's work. The railway service is united under a Minister of Transport very much as most of the railway services of the world—outside Britain and America—are organized. There is the same sort of unity, very unlike the practice of other countries, in the management of the importing from abroad of whatever Soviet Russia desires to purchase, and of the whole of the exporting to the rest of the world of what it is decided to sell in order to pay for the imports. The apparatus of shipping and banking is conducted in essentially the same way, just as if each were a gigantic factory producing transport or credit facilities as if they were boots. And so with the organization of public services and the provision of social amenities other than material goods. Retail distribution is mainly carried on by the colossal network of self-governing Consumers' Cooperative Societies, now counting nearly 80,000,000 separately enrolled shareholding members, appointing their own local committees, managers and staffs, but joined together in hierarchies by district and province, and culminating finally in a national board at Moscow—the Centrosoyus.

The essential novelty in economic organization which Soviet Russia, alone among nations, has adopted, is that, from one end of industry to the other, no profitmaker puts a finger in the pie, and no rentier levies his tribute in return for allowing the land and capital to be used. All those cooperating actively in industry, in any grade or capacity, are paid for their services, in wages or salary, according to the several agreements made with them, in which the trade unions take a large part. They may even be paid "by the piece," proportionately to output, or in any other way resulting in unequal earnings, if this is found to be conducive to maximum efficiency, for Soviet Russia has no craving for a dead-level of equality or identity.

The object and purpose of Soviet industry is never pecuniary profit for the proprietor, but always to supply the nation with the largest possible output, of the best possible quality. This is the first great difference in industry between Soviet Russia and the rest of the world. The second is that production and distribution is not left to be decided by the whim or caprice of landlords; or by the calculation as to the likelihood of profit by hundreds of thousands of separate capitalists, or by their managers or their bankers; or even by the 10,000 official factory managers on behalf of the State; but is made the subject of a deliberate, nation-wide planning as to what is best, not for any particular citizen or section of citizens but for the whole community, present and future.

This general plan now includes within its scope, not industry and agriculture alone, or merely wealth production and distribution, but the whole of the effort, whether in connection with material goods or with public services, with the improvement of the mind or with the development of the arts, of the entire population of one-sixth of the habitable land surface of the globe. Beginning in 1920 with Lenin's insistence on a

comprehensive plan for the electrification of the U. S. S. R., the survey has been developed year by year, through the stages of modestly named "control figures" to—in 1927—the sweeping first Five-Year Plan, which is now being substantially completed before the end of its fourth year. The work is done by what has grown into a highly organized and technically efficient department of great magnitude, known as "Gosplan," responsible directly to the Cabinet.

Every year the general plan is worked out afresh. The starting point is the estimated increase and movement of population, both the total for the U. S. S. R., and that for each local area. Every one of these millions of people has to be maintained and provided with equal opportunities for development of body and mind, and must therefore be set to work. Equally fundamental is the coefficient of increase in the volume of production, to be determined and insisted on, having regard to the new machinery installed, alike in the aggregate for the whole country, in that for each class of product, and in that for each locality. Scarcely less vital is the decision as to how much of this assumed aggregate production should, in the ensuing year, take the form of consumable goods—such as foodstuffs, clothing, cultural needs, social amenities and so on—and how much the form of capital goods—additional buildings, machinery, great works of improvement—and what are the specific requirements under each head. Then all the innumerable factors have to be separately surveyed and evaluated, and endless contingencies allowed for.

Every enterprise, whether mine or factory, bank or shipping department, hospital or university, is studied in the light of what it intends or may be expected to do during the ensuing year—the amounts and kinds of commodities or services to be produced; the materials, components, motive power and labor force that will be involved; the pecuniary cost, with overhead charges; the expected receipts from sales and transfers, at whatever prices are prescribed or may be expected, and so on. At the same time the 25,000 Associations of Producers are similarly surveyed for each of their 40,000 self-governing workshops, and also the 226,000 collective farms—replacing about 18,000,000 small peasant holdings—as to what they will require, and what they will supply. More easily dealt with, though vastly more important, are the 1,500 gigantic State farms and animal-breeding establishments, which are, indeed, run as colossal factories under five different trusts—in 1931, 175 cereal farms, the largest sowing and harvesting 1,250,000 acres; 200 cattle-farms; 130 hog and sheep farms; 50 dairy farms; and 44 cotton-growing farms.

The several Ministers for Railways, for River and Marine Transport, for Post and Telegraphs, for Foreign Trade, for Forests, and for Finance supply the relevant information for their departments. Meanwhile, the Consumers' Co-operative Societies compile exact statistics as to the number of persons whom they severally expect to have to supply, the amount and the kinds of commodities that these will demand, the labor staff that will be employed, the financial results, and so on.

To cope with this work in all parts of the U. S. S. R., there has been gradually built up by far the largest staff of trained statistical workers that has ever existed in the world. All the inconceivably varied mass of information which continually pours into Moscow, in various stages of digestion, serves only as the basis of what is the most gigantic statistical laboratory work that the world has ever seen. The object of this elaborate

accounting is, not the publication of tables of figures, but to enable directions to be given to every enterprise and establishment in the U. S. S. R., as to the amount by which its operations may be increased or diminished. Aggregate demand and aggregate production must be made to balance. The factories making machinery may propose to expand their production; but this—with all the other demands—will involve a corresponding increase in the output of iron and steel. Many enterprises call for materials or components or machinery which must, at present, be imported; the question then is, which of the other industries producing exportable goods, by the sale of which such purchases can be paid for, shall be instructed to increase their output, and what is the prospect of prices in the foreign market; and therefore how much more will be needed, not of these but of the aggregate of exportable articles, to avoid an adverse balance of foreign indebtedness. Every enterprise will be demanding more expert technicians and more skilled labor. How many of each can the educational system be made to turn out during the year, and how can they best be allocated in part satisfaction of the always unsatisfied demand?

Year after year Gosplan accumulates knowledge of all the separate enterprises, and learns by experience how to evaluate their several reports. On the basis of all the information available, during September in each year "draft control figures" are issued, through the several centres, and down the several hierarchies of authorities, to every industrial, agricultural or cultural enterprise. There the still provisional outline of a plan is considered and discussed, not only by the manager or director, but also by the various committees of the staffs and wage-earners. A remarkable outcome during the past three years has been, in innumerable cases, the preparation of a "counterplan" at the instance of the workmen themselves, whereby they pledge themselves, if only the necessary materials can be supplied, still further to raise the output, lessen waste and reduce the cost of production. Then the plan itself, duly revised, is submitted to each enterprise for final criticism. The reports thus elicited necessarily involve a reconsideration of the whole plan at every point for the purpose of final adjustment. The completed draft is submitted to the Sovnarkom or Cabinet of the U. S. S. R., and also to the Politburo of the Communist party. With their sanction, the General Plan is then published as the law of the land. It governs, for the ensuing year, the whole of the activities of every part of the U. S. S. R.

Now, of course, it is impossible, even for the most skillful statisticians, in the best possible organization, to foresee all the contingencies of the coming year. Partly these contingencies can be met, as they occur, by adjustments within the aggregate totals, or they can even be provided for in advance by specific reserves. More serious increases or decreases, caused by war or such calamities as widespread failure of crops, involve even more drastic changes in the plan. Hence Gosplan is perpetually at work, watching almost week by week the waxing and waning of output and consumption, throughout the whole area, of every branch of the service of the consumers; and making all the innumerable adjustments required.

Though the total amounts which each Consumers' Co-operative Society may order for its members' consumption have necessarily to be fixed, the prescribed maxima apply only to large classes of commodities—about fifty in number—within which the several kinds, shapes, sizes, colors and so on can be ordered from whatever factory is preferred, and may be indefinitely varied according to the consumers'

changing tastes or fashions, subject only to the total limit on the quantity of any particular material or component that will be available. Nor can any enterprise now go far wrong through mismanagement or mistakes, without finding itself pulled up.

The Gosbank—State bank—has, during 1932, been brought to the aid of the Gosplan. Every enterprise is now required to keep one current account only, and this at one or other branch of this particular bank, and to draw only on this account for wages and petty cash. The credit thus given is limited to the amount specified in the plan, not only for each particular enterprise, but also for each period or stage of production. For instance, no more will be advanced to a particular State farm as wages for sowing than is laid down, and no more for the next operation until the sowing has been completed. All transactions between enterprises, whether for materials and components or for finished commodities, must be settled by check; and all cash receipts from consumers must be immediately paid into the bank, which is charged to communicate instantly with the Minister concerned, and with Gosplan itself, as soon as any deviation from the current figures prescribed by the plan is detected. Moreover, the plan is deliberately so framed as to demand an amount of increase in the aggregate of production which is not likely to be attained in any particular year for every kind of product, in every enterprise, in every part of the U. S. S. R.

The plan, in short, is always an experiment in practical idealism. The Soviet Government, without having read Browning, realizes that "man's reach should exceed his grasp." This annual asking of the Russian people to do rather more than can be universally achieved operates as a powerful incentive to do the utmost that is possible. Perhaps here lies an explanation of the economic paradox of an impoverished, backward and relatively inefficient nation like Soviet Russia steadily increasing its wealth production and raising the standard of life of its whole people, at a time when all other nations are going back.

Soviet Russia, from an economic standpoint, is still an extremely backward country. But this has been the case for at least a couple of centuries. The World War made conditions still worse; between 1914 and 1922, Soviet Russia suffered from disease, rebellion and famine. Only in the past decade, during which its present economic system has been gradually put in operation, has the secular trend been reversed. Even after years of continuous improvement, the General Plan is admittedly imperfect. Each year reveals any number of mistakes. In Soviet Russia execution invariably falls short of projection. Inefficiency is chronic and endemic. Yet no critic would seriously suggest that, given these conditions, production would be greater if there were no plan.

It may well be, as it is contended, that, in capitalist countries, private enterprise has thrown up, on the whole, abler business managers, more competent financiers, and captains of industry more successful than Soviet Russia has yet produced. It may be equally true that the stimulus of capitalist competition, under the incentive of profit-making, makes those whom it affects more strenuous in achieving efficiency than can yet be expected of salaried officials, even when remunerated by bonus on output as well as salary—though curiously enough it is on armies of such persons that the captains of industry themselves rely for efficient working. But to these energetic profit-makers, success and efficiency are always measured, not by the aggregate amount of production, still less by the extent to which the needs and desires of the whole population are actually

met, but solely by the amount of profit reaped by the owners. Incidentally the enterprises that they own may render service to the community, but it is not the increase or improvement of that service at which they aim. They are as keen to win business away from rival undertakings as to cause an addition to the aggregate production; and much more eager to increase their own profit by maintaining or even by raising prices than to get their products supplied to the consumers at a lower rate. It is claimed with some plausibility that the effect of the industrial and commercial system of Soviet Russia is that the organization moves as a whole, without conflict and with complete concentration of energy, toward whatever amount and variety of production it has decided on.

We have all been brought up to believe that, whatever promises might be made about a New Social Order, there were two indispensable factors of a thriving community which could not possibly exist without private profit-making. Without this, we were told, there would never be any large amount of saving, and there would be no incentive to enterprise, adventure and the taking of risk. What has been the experience? Soviet Russia is year by year diverting from consumption by the present generation of consumers, at least a quarter of what its workers are producing, in order that the consumers in future years may reap the benefit in an assured higher standard of life. In no country, in all the world's history, has there ever been "saved," and invested in "capital goods" so large a proportion of the nation's aggregate income as during the past five years in this community where there is no private profit. And if enterprise, adventure and risk-taking are in question, Soviet Russia may be rash, may even be, in capitalist eyes, a little mad, but for enterprise and adventure, at great peril of failure and loss, it has been unparalleled in audacity. The proof is conclusive that, whether for saving or for enterprise, we were wrong in assuming that private profit is indispensable.

Perhaps the most important difference between the system of Soviet Russia and that of all other countries is made manifest in the matter of unemployment. When in the United States, Great Britain and Germany something like a quarter of the entire population is without wages, and every other capitalist nation is, more or less, in like state, Communists declare that it is idle to pretend that capitalist profit-making has any claim to be an efficient method of carrying on the nation's production. In Soviet Russia, it is said, with every appearance of accuracy, there is today no mass unemployment whatever—nothing beyond the lost time incidental to the changing of jobs. The Soviet Government proclaims that there is no able-bodied person of either sex for whom it will not, readily and immediately, find employment at trade union wages, either in productive work within his or her capacity, or else by way of training to become the skilled mechanic for whom the demand is urgent and apparently unlimited. And, lest it should be imagined—as has been carelessly asserted—that this absence of unemployment is attributable to legal or administrative compulsion to labor, it has to be remembered that one unending trouble of industrial administration in Russia is the inveterate mobility of peasants and artisans alike.

In the mines and factories the turnover of labor is great and continuous. Far from being enslaved in their employment, the men leave their situations in droves on the slightest cause for dissatisfaction with the work or with the food or housing accommodation or merely on vague rumors of better conditions elsewhere. From one

*end of Soviet Russia to the other the visitor is constantly seeing crowds of workmen on the move and repeatedly hearing from factory directors of the impossibility of keeping their staffs from wandering.* In nearly every district there is reported to be a chronic shortage of labor—a positive dearth of trained or skilled men, and even an insufficiency of "raw hands" from the villages.

At this point we approach the most important of all the suggestions made by those who are in a position to know the truth about Soviet Russia. It is argued that in vesting the entire conduct and control of production and distribution, not in the producers as such, whether capitalists or trade unionists, but in the representatives of the community of consumers, either governmental or cooperative, the Soviet system has almost unwittingly discovered the economic secret for which the world is searching. Only the conduct of industry by the consumers—who, as such, are not profit-makers—ensures an unhampered devotion to an unlimited increase of production and lowering of price. Only this control by the consumers (who as such have no interest in speculation or finance) allows escape from the alternating booms and slumps of competitive industry. Only where the whole of production and distribution is undertaken by the representatives of the consumers can the entire body of workers—whose standards will be safeguarded by their trade unions—be secured against periodical mass unemployment, which no trade unionism can obviate.

On the economic argument it seems as if, in Soviet Russia, there need never be any involuntary unemployment. The consumers' demands, with a continual rise in the standard of life, will, each year, outstrip the output of the producers. The very basis of the system, the continuous payment at prescribed rates of wages *for work or training to the whole able-bodied population, automatically ensures an effective demand that can* be counted on in its aggregate amount for the whole of each year. It is the function of the administration to allocate the labor force of that year to particular forms of production in whatever varying proportions are required to satisfy the particular demands of the consumers, up to the total arranged for. With the steady increase in the command over nature and the constant development of machinery, the output per head goes constantly up, and as this is all divided up in wages the effective demand for commodities and services necessarily keeps pace with it. And this consumers' demand, so the Russian Communists argue, knows no limit.

When every one has enough food and clothing they will want more house room, better boots and finer dresses. When they become glutted with every kind of material goods they will demand more theatres and concerts, more holiday rest-houses and, strange as it will seem to some people, more opportunities for "improving their minds." And if any nation ever approaches satiety there will always be a demand for more leisure, and a prolonged holiday for foreign travel may become the privilege of all instead of only a favored few.

In short, what the Communists claim is that, in the deliberately planned production of Soviet Russia for the maintenance of the whole population on a substantially equalitarian basis, with the entire elimination of profit-making, and with the complete control of production and distribution exercised by representatives of the community of consumers, present and future, there need never be any involuntary unemployment. Such a momentous claim challenges the serious attention of the whole Western World.

# The Crux of National Planning

*By* JOHN CORBIN

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WHEN national planning was proposed as remedy for the present economic predicament, scarcely a year ago, the first impression was of extreme radicalism. The proponents, Stuart Chase and Charles A. Beard, are unsparing critics of the capitalist order, and they took as their text the Communist Five-Year Plan, then at the height of its fame. What followed was, to those who paused to think of it, a paradox of the first order. A long succession of public men hastened to espouse the idea—men who are not at all radicals. They include Gerard Swope and Owen D. Young of the General Electric Company, President Nicholas Murray Butler of Columbia University and Dean W. B. Donham of the Harvard Graduate School of Business, together with official spokesmen of the United States Chamber of Commerce and the American Federation of Labor. To all appearances, Socialists and capitalists, employers and employed, were at one.

Yet from the start there has been a rift between the pioneering radicals and their conservative followers. The two schools agree, to be sure, that if industry is to be stabilized and cataclysms like the present forestalled, some form of general control is necessary; but when it comes to the specific question as to that form they are as far asunder as the poles.* Not that they have joined issue. As yet the question has scarcely even been stated. It is as if the two schools, sensing an underlying antagonism, had made a voluntary *Stillhaltung.* Yet in any scheme of national planning the question of general control is manifestly critical, indeed crucial.

Curiously enough, the issue is not between communism and capitalism. Better than most of us Chase and Beard are aware of certain fundamental differences between Russia and the United States. Though both countries have been and still are menaced by starvation, our main problem is a too-great plenty which makes unemployment inevitable; Russia's problem is a dearth of commodities, so that there is work and to spare for all. Moreover, the Communist dictators face no knotty original problem of invention and control—the gradual spontaneous transformation of an agricultural into an industrial society by the process of trial and error which has perplexed Americans for upward of a hundred years. They have only to take over the hard-won achievements of the liberty-loving and inventive capitalist order. For America the problem is to control the mighty free forces that have produced these things without killing the goose that lays the golden egg—again the task of newly constructive thinking, of effective organization without tyranny. Except as an object lesson in certain of the possibilities of national planning, Chase and Beard hold no brief for communism, even for the milder forms of socialism.

Mr. Beard, who has been more closely identified with socialism than Mr. Chase, is especially outspoken in behalf of the capitalist order. Nation-

*See Mr. Beard's compilation of the chief "plans" in *America Faces the Future* (Boston: Houghton Mifflin Company, 1932).

al planning, he insists, cannot ignore "the stubborn heritage of American civilization." It must conserve the "traditions of personal liberty," the "inventiveness and experimenting spirit of individuals"; it must conserve "the dynamics of enterprise which has been so marked in the conquest of this continent." And in order to do so, "it must reward efficiency from the top to the bottom—a truth which the Russian Government is learning by bitter experience." True, he adds that we must "lop off the deadwood of our futile plutocracy." But from the depths into which our industrialists and bankers and statesmen have plunged us can any one object to the prescription?

Moreover, as to the object and scope of national planning, the radicals and their conservative converts are at one. The Sherman anti-trust law must be so modified as to make agreements "in restraint of trade," now a criminal offense punishable by jail sentence, not only permissible but regular and enjoined. Only so, as Mr. Swope points out, can "production and consumption" be "coordinated." Instead of the present unrestrained competition, which results in a destructive glut of all commodities, we must limit production to the possible consumption, "thereby removing fear from the minds of the workers as to the continuity of employment." Furthermore, industries must make provision "as to surviving dependents in case of death, and as to old age." To the mind hidebound by tradition, such measures seem sufficiently "socialistic," and they are certainly radical in the true sense of the word; but Mr. Swope's idea is warmly seconded, and is intelligently worked out in detail, by the United States Chamber of Commerce —which frankly pictures it as the means of insuring "continuity of business" with the attendant dividends. No more *laissez faire!*

Where, then, is the rub? It lies in the problem of a substitute for *laissez faire*. The radical proponents of national planning do not conceive that industry should be entrusted with, or that it is capable of exercising, absolute self-government. They propose to vest the planning power in an agency, an instrument of national control, which has been developing in the United States for almost half a century and which in recent years has had a rapidly accelerating increase of authority—the administrative tribunal, best exemplified by the Interstate Commerce Commission and the Federal Reserve Board. At this business men, one and all, demur. They have had experience of "government by commission" and deeply resent it. What they propose is that our several basic industries, and also the national industrial structure as a whole, shall be empowered to adjust production to the possible consumption by a process of "voluntary self-government," with only an inconsiderable minimum of "bureaucratic control."

That is the crux of the present situation. Trivial as it may seem, it involves a principle which is fundamental in the American Constitution, and it is quite capable of arousing prejudices and passions which lie deep in the American character.

In the nation of today the several basic industries and public utilities are component parts, integral units, comparable in importance to the several States which it was the aim of the Constitution to unite and control. What the conservatives of business fail to perceive is that to endow them with the measure of self-government which they demand is to create a separate industrial *imperium* within the political *imperio*—a flat contradiction of constitutional unity and authority. Quite as fatally as a secession of States, it would split the nation in twain. The planning agency which Mr. Chase proposes is far less radical—a rehabilitation of the War Industries Board with powers softened and attuned to times of peace, yet suf-

ficient to insure the supremacy of the collective will and wisdom. Mr. Beard proposed a "National Economic Council" of the same order. Thus the collective procedure of the industries would be less "voluntary," their "self-government" less complete; but the unity of the nation, its authoritative leadership, would be preserved.

The Chamber of Commerce briefly, but flatly, dismisses this idea of efficient national control. True, it provides for "a National Advisory Council"; but it stipulates that this shall be merely "an advisory body as its name implies," not "an executive board with functions like those of the War Industries Board." Much less would it be the planning brain and the organizing will of the National Government. The American Federation of Labor is even more uncompromising. The voluntary "Congress of Industry," which Matthew Woll proposes, "should outline its own course and direct its own destiny." Gerard Swope at first proposed that the Federal Trade Commission, or some body "specially constituted," should "supervise" industrial self-government; but he later explained that he meant it to act only "as a referee or umpire," not as "a regulatory or managerial body." This is the nearest approach made by either labor or capital to the Chase and Beard proposals.

This conflict between the pioneers and their converts is, in its essence, the conflict that lies at the basis of most problems in government—in a capitalist State—how to adjust a maximum of individual liberty to the needful collective control. The *laissez faire* doctrine has long been on the scrap-heap; labor and capital both know that. But, as we have seen, the *laissez faire* instinct, the resentment of outside control, springs eternal in their breasts. They simply will not have commissions.

Yet, in point of fact, they have little else. As often as a new problem in the world of affairs forces attention upon itself, the obvious and only solution is an administrative tribunal. For half a century the powers which the American Congress has delegated have tended always to increase, as is manifest in the history of the Interstate Commerce Commission and the Federal Reserve Board. Commissions multiply and swarm until every great industry, with the exception of mines and oil wells, is subject to their control—from the produce of the soil to the subtlest vibrations in the air. And oil companies and coal operators are now clamoring for administration on a national scale. Yet in Congress, as out of it, no tirade meets a readier ear than that against government by commission.

Unlike America's captains of industry and togaed orators, men of acutely legal mind have long been aware of this conflict between particularism and the national instinct, between individual initiative and collective control; and in the clearest terms they have shown what it portends. As early as 1906 Elihu Root said: "The instinct of self-government among the people of the United States is too strong to permit them long to respect any one's right to exercise a power which he fails to exercise. Sooner or later constructions of the Constitution will be found to vest the power where it will be exercised—in the National Government." He was thinking primarily of the gradual slipping of power from the several States to Federal agencies; but the remark holds equally true with regard to the autonomy of those new units in the life of the nation, the basic industries and public utilities. They are here to serve and have the means to do so. The American instinct of national self-government will not forever permit them to play ducks and drakes with all the requisites of the good life.

Note especially Senator Root's recognition of the fact that the Constitution of the United States is largely unwritten, and is in continu-

ous process of being revised without specific amendment. What confronts the nation, and has done so during four decades, is a transformation of the eighteenth century instrument of American liberties, bringing it to grips with the industrial and economic fabric of the modern world. A quarter of a century ago, long before the present mighty development of commissions, Frederick Judson said, in *The Law of Interstate Commerce:* "This department of administration is in effect a distinct department, recognized as developed *ex necessitate* from the complexity of the functions of modern government. We are thus compelled to revise our time-honored conception of the distribution of the powers of government, as we have not only executive, legislative and judicial departments but also the department of *administration,* distinct from, and yet to a degree exercising the functions which have been appropriate to, each of the others."

The simple fact is that, in the modern world, the effective liberties can be maintained only through a delicately balanced interplay of local and individual initiative with collective control. The "intelligent self-interest" which was the main reliance of *laissez faire* must always be a thing of might; but it must become a function, not merely of the human individual and the single plant but of the entire industry and of the nation as a whole.

May it be suggested, as politely as possible, that to ignore the modern development of the administrative tribunal, still in its lusty youth, or to assume that it can be turned backward and annulled, is to be lacking alike in imagination and the sense of fact? And may it be suggested that to do all this, without critical consideration of whatever good it may have accomplished, and of such forces as are tending today toward a lessening of its evils, is in the highest degree unscientific? Certainly it is not amiss to consider whether this new instrument of government contains the seed of precisely that balanced interplay between individual initiative and collective control which alone can make possible industrial planning and at the same time preserve the unity of the nation.

Hitherto, it must be admitted, the personnel of American commissions has not, with a few notable exceptions, been commensurate to their great task. The salaries have been insufficient to attract and hold men of the highest ability in industry, so that there has been a very considerable admixture of job-hunters. Thus the commissions become subject to personal and political pressure from the executive who appoints and reappoints them. Twice in recent months President Hoover has publicly brought his influence to bear upon the Interstate Commerce Commission, and the fact cannot be wholly excused on the plea that in both cases there was urgent need of decisive action. It is also true that their investigations have not always been distinguishable from spying, or their minute and dilatory regulations in detail distinguishable from bureaucratic muddling and tyranny. Ill-paid, derided and denounced, they have too often proved worthy of their hire and their reputation.

The plight of great industries thus governed is not enviable. Under a government that was intended to be representative they have no representation either in Congress, which empowers the commission, or on the commission itself, which governs them directly and often with an iron hand. No representation, that is, except by personal and political pull, by bribery and corruption—which are the inevitable consequences of the denial of regular and adequate representation. And, having no way of effectively voicing their needs, they have no recourse against the rankest injustice except by the cumbrous and dubious process of appeal to the Supreme Court. In all the indictments against government by commission, that is at

once the gravest and the most valid.

The sad fact is that the entire development has been destitute of creative will and statesmanlike forethought. Congress has acted only in response to popular clamor against abuses too flagrant to be ignored, and so has acted reluctantly, without vision and conviction.

As constituted in 1887, the Interstate Commerce Commission had little more than the power to investigate and report, leaving the remedy to Congress. Alone among American statesmen Roosevelt saw the inevitability of commission government and its vast possibilities. The Hepburn Act of 1906, which he vigorously championed, gave the commission independent power over rates and fares, independent power to prevent secret rebates. This was a measure mainly in behalf of the public. But the Transportation Act of 1920 looked to the needs of both public and railways. In order to eliminate strife, wasteful to all, it suspended the Sherman law, enjoining upon the commission and the roads jointly the duty of combining a plexus of independent lines into a few competing groups. Thus the act of 1920 is a genuine document in national planning.

The Federal Reserve Board has had a history much briefer, yet precisely similar. It has to its credit achievements more momentous than those of the Commerce Commission, or at least more widely recognized and approved; and in the present crisis its power over the national banking system has been notably increased.

With regard to both these great commissions there is a marked tendency to extend to their industries the effective representation which they so sorely need—thus blending individual initiative with national control. The great Eastern railways have themselves taken over the difficult task of forming regional systems, adequately competitive as groups, yet practicing every economy consistent with public service. What they agreed upon had of course to be approved by the commission; but no need is denied a hearing, no proposal is arbitrarily dismissed.

The Federal Reserve Board, thanks to the late Paul M. Warburg, entertains a project for blending particular representation with national control which is as philosophic as it is realistic and practical. Mr. Warburg is chiefly known as the one authority in finance who had the acumen to foresee what happened in 1929 and the courage to warn the nation against it. Perhaps a greater claim to recognition lies in the wise influence he exerted from the start upon the act which established the board, and in his service as an original member of it. In his great work, *The Federal Reserve System,* is an account of a clash over the discount rate which occurred in 1927 between the board in Washington and the regional bank in Chicago. That regrettable incident, he thinks, could not have occurred if the board had been fully informed as to local conditions in the Chicago district and if at the same time the authorities there had been in touch with the ideas and aims of the central authority. Among several highly stimulating suggestions as to the composition and powers of the board he proposes that it include always four men, a minority of its membership, who shall be sent to Washington from the several reserve regions. The national authority would thus be fortified by "a knowledge of local conditions," and the regional bank would "accept its decisions willingly and without hesitation."

Perhaps the chief cause of the blundering and corruption so prevalent in modern government, both State and national, is a certain duality that has everywhere crept into them, a divorce of actual affairs from the normal course of politics. The United States is primarily a business nation, swayed by gigantic economic forces which are led by men who themselves are often

of gigantic stature. Yet neither the forces nor the men have any regular and legal way of making their needs comprehended—no normal representation such as Mr. Warburg proposed. On the other hand are the politicians, a set of beings apart from the industrial life, men of minor stature who are swayed mainly by considerations as to votes, as to political salaries—and not always immune to bribery in one form or another. Would it not be as well if the captains of industry, instead of having no recourse but the stultifying and crooked ways of the lobby, were themselves to rise to the seats of counsel and of power? As Mr. Warburg suggests, appointees of the President, including Cabinet members and their under-secretaries, would be in the majority; yet even so—perhaps all the more—election by one's business associates to a national commission might well be coveted as the crowning honor of a business career.

It would indeed be a sad commentary upon human nature if the captains of industry still preferred criminal methods. And the nation itself would not suffer if the experienced ability of the world of affairs were to rise, as if automatically, to the seats of control.

To the points upon which the two schools of national planning agree must be added one more, perhaps the most surprising of all. Hitherto the thought of industrialists has been mainly directed toward the upbuilding of the producing plant and the technical perfection of its processes. Perhaps the chief cause of the depression is that this has gone on without a concomitant upbuilding and perfection of the machinery for distribution. Certainly the first task of national planning is to step up consumption to the measure of possible production and to render the good life more nearly stable. Thus the first charge upon industry must be a volume of wages and disability payments sufficient to absorb the commodities produced. Though we have been the most widely prosperous of all nations, the average wage in all industries in the boom times of 1927 was $1,205 a year. The salaries of brain workers must, of course, be sufficient to insure a continuance of the American tradition in education and culture and should ultimately make possible an increased welfare among this much depressed group. As Mr. Beard puts it, we must reward efficiency from top to bottom.

Capitalist investors likewise must have a fair return. Such great gains as they have known are not likely to occur again, but stockholders should be amply compensated by the fact that dividends will no longer be subject to the sudden evanishment witnessed of late.

Is such a project socialistic? Certainly the aim is precisely that wider diffusion of prosperity, and that greater security in profiting by it spiritually, which has been the fundamental aim of the Socialist. But that is only half the truth. The means by which it is to be achieved have long been familiar, a vital and functioning part of the American Constitution. One need not take very seriously the current outcries that capitalism is doomed. Yet it is all too obvious that it has broken down and is floundering helplessly, without effective leadership in either industry or politics. Is it not equally obvious that the only drastic thinking, the only clear and comprehensive project for reconstruction, is that of the radicals? The time has been, no doubt, when their thinking was as perverse as it was drastic; but it is so no more. To life's little ironies one more has been added. From the text of the Communist experiment they have deduced the one sure means to justify capitalism.

# Political Dissent in 1932

*By* SIDNEY HERTZBERG

THE history of third parties in the United States contains little that is encouraging to political malcontents. Yet the current campaign finds at least seven minor Presidential aspirants in the field and a mushroom growth of new parties of local scope. The reason for this is obvious. The depression has not only mothered a busy brood of little parties but has also given rise to a persistent feeling among level-headed observers that these disgruntled elements are sufficiently disgruntled to warrant the prediction that, in the near future, they will be welded into a political instrument powerful enough to combat the two old parties effectively.

The most important of the minor groups, the Socialist party, is not a child of the depression at all. For thirty years its criticism of capitalist economy and its program for a new society founded on Marxian ideas, has remained substantially unaltered. It holds up a thoroughgoing Socialist State as its ultimate aim and at the same time puts forward a program of immediate demands for the improvement of the condition of the masses. The heart of the Socialist party's national platform is contained in the following sentence: "It proposes to transfer the principal industries of the country from private ownership and autocratic, cruelly inefficient management to social ownership and democratic control." These ends are to be obtained through "the united efforts of workers and farmers, organized in unions and cooperatives and, above all, in a political party of their own." (For the complete text of the 1932 national platform of the Socialist party see CURRENT HISTORY for September, page 764.)

Since the transition to complete socialism would begin with the immediate socialization of the most vital necessities, as soon as the party came into power, socialization is properly an immediate demand. But the platform also contains a list of measures for immediate enactment which the party admits are palliatives. They include two Federal appropriations of $5,000,000,000 each, one for immediate relief of the needy and the other for public works programs including slum clearance and the building of decent homes for workers; the six-hour day and five-day week without wage reductions; compulsory unemployment compensation based on contributions by the government and by the employers; old age, health and maternity insurance; the abolition of child labor; steeply increased taxes on inheritances, large incomes, excess profits, &c., and the reduction of taxes on farm property; encouragement of farmers' and consumers' cooperatives; proportional representation; abolition of the Supreme Court's power to pass on the constitutionality of Congressional legislation; the passage of a "Workers' Rights" amendment to the Constitution specifically empowering Congress to enact the proposals made in the Socialist program; legislation to penalize officials for interference with the constitutional rights of citizens; adherence to the World Court and entry into the League of Nations; cancellation of war debts and reparations, provided the money released is not spent on armament; reduction of armament leading to total disarmament; recognition of Soviet Russia; prohibition of the sale of munitions to foreign powers, and the complete abandon-

ment of military intervention in the affairs of foreign nations.

To bring this platform before the electorate, the Socialist party has nominated Norman Thomas for President and James H. Maurer for Vice President. The widespread acceptance of Thomas's intellectual and executive qualifications has broken down many barriers to the consideration of his ideas. He has become the recognized exponent of a classless society and his effectiveness in that rôle is one of the greatest assets of his party. (See "Norman Thomas: Socialist Crusader," by Claude M. Fuess, in October CURRENT HISTORY, page 1.) Maurer is the embodiment of class-conscious unionism. For sixteen years he was president of the Pennsylvania Federation of Labor, and his Socialist activities antedate the party itself.

The Socialist party brings to the support of its program and candidates a political organism which is surprisingly small for the voting strength which it draws. The regular dues-paying membership at the beginning of September was 15,971, an increase of 5,582 since Jan. 1, 1932. The number of locals increased correspondingly from 752 to 1,022. The party's candidates will be on the ballots of at least forty-four States. The circulation of Socialist papers is rapidly approaching 1,000,000. The party's youth section, the Young People's Socialist League, with a membership of approximately 3,500, is a valuable adjunct in propaganda activities. The budget for the entire national campaign probably will not exceed $50,000. The party will be aided by an influential non-partisan committee for Thomas and Maurer headed by such men as Professors Paul H. Douglas, Morris R. Cohen and John Dewey; Oswald Garrison Villard and Elmer Davis. With an organization less than half as strong in 1928, Thomas and Maurer polled 267,835 votes. How many of the 4,822,856 votes which Senator Robert M. La Follette received in 1924 were Socialist votes cannot be known. In 1920 Eugene V. Debs, running for President from his prison cell on a straight Socialist platform, received 919,799 votes.

During the heat of the campaign, all the elements within the Socialist party will undoubtedly be united against "the common enemy." But this will not make the existence of internal dissension less real. No political party is complete without its Left wing and this is particularly true of Socialist parties. The so-called "militants" in the party here are the spiritual kin of the Independent Labor party in Great Britain although there is no indication that they intend to break away as the I. L. P. has done from the larger organization known as the Labor party. The militants of the American Socialist party believe that the class-struggle is an ever-present reality which should figure more prominently in the application of Socialist tactics; they deplore the tendency to depart from Marxian socialism, and they are opposed to opportunism and reformism. The most important concrete items in their program are a complete endorsement of socialistic efforts in Soviet Russia, the fostering of industrial unionism, wherever possible, and stronger efforts to convert the labor movement to the Socialist philosophy.

Members of the Socialist party have found it difficult to take sides on the basis of these issues. The militants themselves were often allied with those against whom their policies were directed. In the beginning, the "old guard," represented chiefly by Morris Hillquit, national chairman, agreed in principle with the militants regarding "pure Marxism" and opposition to the alleged reformism of Thomas, but disagreed with their practical program. Subsequently it was discovered that Thomas was something of a "Left" himself and that he was in sympathy with the militants on the Russian and trade

union propositions. At the national convention in Milwaukee in May the militants won partial victories in the resolutions on these two questions. The bitterest fight, however, was over the selection of a national chairman, which resulted in Hillquit's re-election. It seemed that the militants, made up principally of younger members, were anxious to get rid of a stodginess which they saw in the direction of party affairs and which they attributed to Hillquit's leadership. Their attitude crystallized into an "activist" philosophy. The differences between the factions probably appeared to be wider than they actually were because the convention, in accordance with the party's rules and traditions, permitted the fullest discussion of them. At any rate, all elements united in the belief that the path of the party seemed to point steadily upward.

The oldest, but least important numerically, of the Socialist parties is the Socialist Labor party. It has nominated Verne L. Reynolds of New York for President and John W. Aiken of Massachusetts for Vice President. Collective ownership and control, according to its program, is to be obtained by uniting national industrial unions into "One Big Union." It has no faith in political action or in immediate demands. In 1928 its national candidates polled 21,181 votes.

The extreme Left position in the United States is occupied by the Communist party, a section of the Communist International. Within the past three years the growth of its influence has attracted considerable attention. Its 1928 vote was 48,228, but at the present time it claims a membership of 11,000, which leads to the expectation that it will poll much more heavily this year. It derives some additional strength from the control of at least a dozen affiliated organizations such as the Young Communist League, the Trade Union Unity League, the International Labor Defense and the Workers' Ex-Servicemen's League. There are also four tiny satellite groups on the left and right of the Communists that will probably support its candidates. William Z. Foster of New York, a seasoned labor leader, and James W. Ford of Alabama, a Negro, are its nominees for President and Vice President.

The Communists differ from the Socialists in that they believe in the inevitability of a violent revolution and of a dictatorship of the proletariat before the cooperative commonwealth can be ushered in. The Communist International Program, to which American Communists must adhere strictly, says: "The conquest of power by the proletariat does not mean peaceful capturing of ready-made bourgeois State machinery by means of a parliamentary majority. * * * The bourgeoisie cannot abandon its historical position to the new class without a desperate and frantic struggle; hence the violence of the bourgeoisie can only be suppressed by the stern violence of the proletariat." In the last analysis, then, the Communist party is not a political party. Its adherents are presumably stocking up on instruments of war and learning how to use them. For them political activity is merely a convenient rostrum from which to preach "mass action." The Socialists, in Communist eyes, are the particular "betrayers of the working class" and their principal attacks are directed against them. These onslaughts are rarely concerned with the difference in principle which inspires them. They are almost invariably attempts to discredit the Socialist leadership, and since the Communists have rejected such bourgeois virtues as honesty and fair play, the extent and variety of their attacks is bounded only by the fertility of their imaginations.

At this point, mention should be made of the discovery of Karl Marx by the nation's intelligentsia and literati and the subsequent pilgrimage to the regions of the Left. The class

struggle, the materialistic interpretation of history and the theory of surplus value have pre-empted Proust's place on Parnassus. What this will mean in terms of actual revolutionary activity is hard to say. The main body of the leftward caravan has left the Socialists in a cloud of dust and the Communists seem destined to receive whatever benefactions are involved.

The support of such populist sentiment as exists in the country today, if not sought too earnestly by Governor Roosevelt, will probably be divided up among the smaller minor parties that abound this year.

The Rev. James R. Cox, a priest from Pittsburgh, who has been active in behalf of the unemployed, was nominated for President by the Jobless party, which he organized. Dr. Victor C. Tisdal of Oklahoma is his running mate. Father Cox's program includes the cancellation of war debts, full payment of the soldiers' bonus, government control of banking and public utilities, Federal expenditure of $5,000,000,000 for public works, tariff reciprocity, no more loans to foreign governments, conscription of wealth in national emergencies, "mighty" army, navy and air forces, unemployment insurance and old-age pensions, a five-day week and a six-hour day, abolition of unjust injunctions and "yellow-dog" contracts, the right to peaceful picketing in strikes and relief for the farmers.

William H. (Coin) Harvey, who attained nation-wide fame as an advocate of free silver, is again on the political scene as the nominee of the Jobless-Liberty party. Frank B. Hemenway of Washington is the Vice Presidential candidate. Colonel Frank E. Webb and the Rev. Otis L. Spurgeon of Iowa are the candidates of the Liberty party. It was originally intended that the above three groups, whose programs are substantially the same, should form one party and make a unified campaign, but the temperamental differences of the leaders prevented it. General Jacob S. Coxey, who marched with unemployed to Washington in 1894, is the Presidential choice of the Farmer-Labor party, which has no support from the Farmer-Labor party of Minnesota. His platform includes proposals for government banking, free coinage of silver and abandonment of the gold standard, abolition of the Federal Farm Board, unemployment insurance, full payment of the soldiers' bonus, a five-year moratorium on mortgage foreclosures and public ownership of utilities.

Even the Prohibition party, primarily a one-issue group with no roots in the economic situation, has declared for "the governmental ownership of all public utilities which can be owned and operated by the Federal Government, all proceeds above the cost of operation to be applied to the support of the Federal Government." Its candidates are William D. Upshaw of Georgia for President and Frank S. Regan of Illinois for Vice President. Although these parties will be on the ballots of only a few Middle-Western States, it would be rash to brush them aside as of no importance with the country still in the grip of the depression. Perhaps the most significant thing about them, aside from their number, is the similarity of their aims and the Fascist tendencies imputed to them.

The political groups that have nominated Presidential candidates do not represent the sum total of third-party sentiment which exists throughout the country at this time. In estimating the extent of that sentiment account must be taken of purely local political groups and of non-political organizations with radical leanings. The platform of the Farmer-Labor party of Minnesota, which is in power in that State, contains the following declaration: "The capitalistic system is on trial for its life, and the common people must work out a new

order of things, set up a new social system under which every man and woman will be guaranteed the right to work and produce that he may enjoy the fruits thereof. We believe that this nation cannot endure half fed and half starved, half employed and half idle, and that every worker shall be guaranteed the right to enjoy the fruits of his or her own labor." While the party will give tacit support to Roosevelt in the hope of gaining Democratic votes for its State ticket, it is really third-party material in its less opportunistic moments, and even this year many of the rank and file are expected to vote for Thomas.

The Farmer-Labor party of Cook County, Illinois, made up of members of 150 trade unions, has nominated Congressional candidates in Chicago. The Socialist party will support these candidates and the Farmer-Laborites will support the Socialist State ticket. The Independent Labor party of West Virginia, composed largely of miners, has nominated candidates for Congressional and local offices and will receive the support of the Socialist party. The Seattle Unemployed Citizens League, consisting of 16,000 heads of families, has already elected a Mayor and Councilmen in that city and this year has nominated a State ticket. The Labor party at New Bedford has had electoral successes there. The Farmer-Labor party of Kansas, the North Dakota Non-Partisan League, the Labor party of Marion, Ohio, and the Progressive party of Rockford, Ill., are other groups that are fighting the two old parties.

While the American Federation of Labor will officially continue the political policy of rewarding its friends and punishing its enemies (as it sees them), the labor movement is by no means a dormant factor in this situation. In addressing the convention of the New Jersey State Federation of Labor in September, President William Green drew tumultuous applause when he remarked that the members of the federation would form "an independent political organization" if their interests could be best served by so doing. A week later the convention of the United Textile Workers, an important A. F. of L. unit, passed a resolution denouncing the federation's policy of "bargaining for favors" and urging "the establishment of an independent political party of labor whose candidates cannot seek office on the tickets of the present major political parties." At least two other important A. F. of L. groups, the State Federation of Labor of Vermont and the American Federation of Full-Fashioned Hosiery Workers, have endorsed Norman Thomas and James H. Maurer. "A unified mass labor party" is also one of the aims of the Conference for Progressive Labor Action, which was organized three years ago by A. J. Muste and Louis F. Budenz, labor educators. This organization has been increasingly active in labor struggles throughout the country. It is not opposed to any existing workers' political parties or trade unions, but seeks "in every way and on every front to unify and build up the power of labor, so that the workers may take control of industry and government * * * and build a sane and just economic system and a workers' republic to be united in bonds of comradeship with workers' republics throughout the world." Sentiment among union men for a new party is unquestionably growing.

There are other straws in the wind. The Economics Division of the National Council of Christian Associations, including the Young Men's and Young Women's Christian Associations, has advocated political action through the Socialist party or the League for Independent Political Action for "social ownership of public utilities, natural resources and the basic industries." The National Association for the Advancement of Colored People advocates "redistribution

of present wealth by systematic taxation of larger incomes and the future conduct of industry for public weal and not for private profit." An incipient political group, the New National party, was organized a few months ago by John Franklin Carter, who insists that his is not another "third party." This group seems to have influential backing. The only items in its program that Democratic and Republican politicians will find objectionable are compulsory unemployment insurance and banishment from the United States for life of corrupt public officials.

All these harbingers of revolt are being nursed along by a guardian angel in the form of the League for Independent Political Action, whose National Chairman is Dr. John Dewey of Columbia University and whose chief theoretician is Professor Paul H. Douglas of the University of Chicago. This organization has taken upon itself the specific task of forming a united third party. It is not putting forward a ticket of its own, but is confining itself to the endorsement of individual candidacies. In the three years of its existence the league has built up a dues-paying membership of approximately 10,000, with 153 branches and twelve State organizations.

"While we do not necessarily support every feature in the ultimate program of the Socialist party, we believe that in the present election the candidacy and platform of Norman Thomas and James Maurer is infinitely preferable to those of the other parties." This is the stand which the league took at its conference in July. Thomas welcomed the support, but warned his endorsers as follows: "I am a Socialist. I believe that in the Socialist philosophy and in the Socialist program and in the building of a strong Socialist party is the chief hope for our time." Apparently this is a creed which the middle-class membership of the L. I. P. A. is not ready to accept. Almost every item in the platform of the league can be duplicated in the platform of the Socialist party. The crucial difference lies in the former's rejection of the Marxian interpretation of the crisis and therefore of the revolutionary measures based on that premise.

It is the intention of the L. I. P. A. to bring all these dissatisfied elements together at a conference next Spring in the hope of seeing them emerge as a unified political party. Such a conference would probably receive no support from the extreme left, the Communists, and the extreme right, the Middle-Western Progressives. On Dec. 25, 1930, Senator George W. Norris, dean of the Congressional insurgents, refused the invitation of the L. I. P. A. to lead a third party. A conference in Washington of about 100 progressive Senators, Governors, Representatives, economists and publicists during July of this year produced an "advanced" legislative program, but it failed to result in a permanent organization of any kind. In fact, no sympathy for a third party has ever come directly from any of the Progressives, even though they are always held to be on the point of bolting the old parties. The support of Governor Roosevelt by Senator Norris and other Progressives is an indication of the depth of their insurgency. The La Follettes of Wisconsin may now be amenable to the third-party idea in view of their chastisement in the Republican primary elections in September. But it seems fairly certain that none of the pioneering work for a third party will be done by the Progressives, although they may find it advantageous to join later.

It is probably true that a good deal of the protest sentiment which exists today is ephemeral and will vanish at the first sign of a real upturn. Its full extent and intensity will be judged after the election, when it is known how much of it has been formed into active parties with radical programs.

# The Origin of Premier MacDonald's Visit to America

*By* EDWARD PRICE BELL

[The following article on the origin of the meeting between President Hoover and Prime Minister MacDonald three years ago is written by the veteran newspaper correspondent who may well claim that he was responsible for bringing about that historic event. Mr. Hoover himself has since declared that Mr. Bell's "service in the cause of international good-will has been unique in method and invaluable in results," while Charles G. Dawes, Ambassador to Great Britain at the time the meeting was arranged, has written that Mr. Bell's "work has been most notable in the furtherance of international peace and good understanding." Still more direct is the testimony of W. L. Mackenzie King, former Prime Minister of Canada: "I have personal knowledge of the extent to which the good offices of Mr. Bell contributed to the inception and successful outcome of the negotiations which made possible the London Naval Pact." Mr. Bell was born in Indiana sixty-three years ago and has been engaged in newspaper work in America and abroad for fifty years].

IT was on Jan. 2, 1929, that glancing up from my position on the main deck of the U. S. S. Utah, which was then approaching Hatteras and Hampton Roads, I found standing before me Mr. Hoover, at that time President-elect. He and his party had just covered some 20,000 miles on that famous Good-Will Mission to Central and South America. We were nearly home, and though most of us were happy, Mr. Hoover looked incongruously somber. He had looked so, as I had noted, at rather frequent intervals on the long journey, though the mission itself seemed to be succeeding splendidly.

Mr. Hoover knew that I had lived and worked many years in England and had numerous political and journalistic friends there. That is no doubt why, as he sat down beside me, he asked, "What do you think of the British-American situation?" My reply was: "I think it is bad." Thereupon the President-elect asked, "Have you considered at all the problem of making it better?"

I explained that it had been my intention to go to Great Britain on a mission of inquiry at the moment Mr. Hoover announced his purpose to tour the Latin-American countries, and I had delayed the proposed trip in order that I might be one of the correspondents accompanying him on his Southern journey. "I wish you would carry out that deferred intention," said Mr. Hoover. "Have you some idea of what can be done?" I asked. "No," he replied; "the task seems to be one for a newspaper. The facts are obscure. Sentiment is not what it ought to be. We have the wrong atmosphere. Statesmanship cannot work constructively in such a condition of public opinion. That is the problem—to change public opinion. I think only the press can do it."

What, specifically, was on Mr. Hoover's mind? He was pondering the British-American naval situation. It was worrying him. He felt that he saw in Great Britain an attitude of suspicion, distrust, fear of the United States, with a consequent British naval program or tendency that would make further naval expenditure by the United States necessary.

It was clear from our conversation that Mr. Hoover was opposed grimly to increasing naval armaments, or any other armaments, for that matter. He considered them not only a huge and

unjustifiable economic burden but a cumulative peril to the peace of the world. Waste of British money on warships Mr. Hoover appeared to deprecate as heartily as he deprecated similar waste of American money. It was his argument that a needless economic burden upon Great Britain involved a corresponding burden upon America, and that both were inimical to the social and business interests of the world. And his reasoning with reference to Britain and America he applied without modification to all other powers. If substantial reductions in naval strength could be achieved, he believed that a movement for a reduction of all warlike machinery would gradually follow.

What impressed me more than did anything else about Mr. Hoover's standpoint in regard to armaments was the essentially economic cast of his thought. He was thinking of better living conditions for all peoples. Such conditions, in his opinion, could never be brought about while men were bending beneath the dire burdens of armies and navies. This great wrong against mankind must be mitigated. If it were not, it would be aggravated, and if that happened, the hope of settled international peace, once and for all, might as well be foregone.

Another fact which struck me forcibly about Mr. Hoover was the universality of his outlook. All idea of one nation profiting by the distress of another was absent from his thought. The great enterprise of mankind was a common one. Prosperity anywhere aided prosperity everywhere, and poverty anywhere was inclined to promote its like everywhere.

This characteristic of Mr. Hoover's international philosophy we had seen illustrated in Central and South America. Our Latin neighbors did not anticipate Mr. Hoover's coming with unqualified optimism. They feared he might not be so much in quest of good-will as on the alert for enlarged fields for American industry and trade. Some said: "More dollar diplomacy! The new American President will try to close Latin America against non-American manufactures and commerce as the Monroe Doctrine closes it against non-American politics."

But the misgiving was not borne out. Mr. Hoover preached no sort of economic exclusivism in Latin America. He made no effort to dam the inflow of non-American capital or goods. On the contrary, he encouraged everything which he thought would contribute to Latin-American prosperity and stability. His mission was a good-will mission, indeed, its governing idea being, "Whoever adds to the wealth of any nation does something for the wealth of the world."

On March 18, 1929, two and a half months after the conversation with Mr. Hoover, I was privileged to lunch privately with Mr. Mackenzie King, then Prime Minister of Canada, at Laurier House, Ottawa. Traditionally ardent and intelligent in his advocacy of British-American harmony, he dwelt upon the immeasurable interests depending upon that harmony. "Feeling between the Americans and the British is not right," he said. "The situation, in fact, is deplorable. Post-war differences of view have created an estrangement harmful to both sides and latently threatening. Canada, as has been her consistent practice, will do everything in her power as a mutually sympathetic intermediary. Already her standpoint is operative in the highest British quarters."

That such a man as the Canadian Prime Minister, pivotally situated with reference to British-American relations, should stand resolutely by the side of Mr. Hoover, who had by then been inaugurated as President, for a radical and lasting improvement of those relations was emphatically encouraging. The disarmed Canadian-American border entered largely into Mr. King's conversation. He agreed heartily with me that the principle of this unique boundary should be extended not only to the whole Brit-

ish-American frontier but to every frontier on the planet.

"I call it the North American method," said Mr. King. "It is the method of bilateral and conciliatory procedure. It is the method of reason and safety and mutual profit. America and Britain should tolerate no other, and their example should be adopted universally. Particularly, the big problems between the Americans and the British are too serious for a unilateral assertion of policy by either party. They demand bilateral examination and discussion. They demand adjustment according to the North American method."

And so I left the Canadian Prime Minister assured of his vigorous and practical concurrence in the attempt to dissipate ill feeling between Britain and America, and thus pave the way for a statesmanlike handling of the two countries' interrelated affairs, and above all the naval difficulty.

During the voyage of the Ile de France from New York to Plymouth in the last week of March, 1929, Frank B. Kellogg, who had just resigned as Secretary of State and was on his way to Paris for an official portrait of himself for the walls of the State Department, talked world politics with some of his fellow passengers, including myself. On telling him what was taking me to England, he remarked, "excellent," and instantly made clear his sense of the urgency of harmonizing British-American relations. He was not alarmed about them, did not think there was any probability of war, but termed the situation "disagreeable, disadvantageous, and not without dangerous elements."

"A drastic clearing of the air in the English-speaking world," Mr. Kellogg said, "is about the most desirable thing at present in international politics. Naval or any other implicitly unfriendly competition between Britain and America ought to be out of the question. Our fleets never will be used against each other. And, since this is a fact, and since neither power is in any danger at sea, why should either build more warships? Why, in truth, should not both reduce their navies?"

Intensely impatient of the talk of either Britain or America rising or falling at the expense of the other, Mr. Kellogg continued: "Britain and America are going to rise together. The British are not going to hurt us, and we are not going to hurt them. We are going to be mutually helpful. We are going to be so not only in the spheres of politics and culture but in the spheres of industry and trade. It is high time the whole idea of antagonism among nations were dismissed from contemplation. It is a pagan idea, squaring with neither the physical facts nor the latest developments of international law."

Moderate-sized navies approximately equal in combat strength were recommended by Mr. Kellogg for Britain and America, his argument running thus: "If Britain had too big a navy, she might choose in certain circumstances a course inimical to peace. If America had too big a navy, she would lie under the same temptation. Approximate parity of combat strength between the two forces would support counsels and policies of restraint and peace."

Mr. Kellogg consented to my making such use of his views on either side of the Atlantic as seemed likely to further the aims of my mission.

Opposite me at a small luncheon table at the Garrick Club, London, sat J. L. Garvin, editor of *The Observer* and Britain's foremost character in personal journalism. He made it clear that he did not understand, and was extremely anxious to understand, President Hoover. Mr. Garvin obviously shared the world's rather adverse impression of the new chief at the White House, for the world at that time was none too sure of Mr. Hoover's liberal sentiments toward other nations than his own. "You have a feeling that the new President is not friendly to the Brit-

ish?" I said. "There is such a feeling," Mr. Garvin replied. "Britons are disposed to regard the President as selfishly, even arrogantly, American?" was my next question, to which Mr. Garvin replied: "Some doubtless hold that opinion." "It is wrong," said I, whereupon he asked, "You *know* that?"

"I have it from the President's own lips," I replied. "I read it in his experience and temperament; I accept it unreservedly. Mind you, he has not sent me to London. He has absolutely no responsibility for me, nor am I in any degree answerable to him. I am here as an independent newspaper man to beg my old friends in British journalism and politics to unite against the growing animosity between our two countries in the hope of getting a permanent solution of the British-American naval problem, and of other British-American problems, in the interests of lighter armament burdens and a surer peace."

After a moment of silent thought, Mr. Garvin said: "I am grateful. I keep to my old line"—his "old line" being, as every one knows, that of untiring devotion to relationships of reciprocal advantage among the English-speaking peoples. Then in a burst of emotion he went on: "Do you realize that half the world is waiting and praying for a quarrel between us?" "I think I do realize that," I replied, adding: "Take it from me, it is going to wait a long time." Then said Mr. Garvin: "*The Observer* is open to you to say anything you please about the President and about our joint affairs. Every ounce of the weight of my paper is at your disposal for the purpose you entertain."

I then made this statement: "A genuinely friendly feeling toward Great Britain and the whole British family of nations animates the new Administration at Washington. It is true, to be sure, that this disposition in no way implies hostility to, or lack of appreciation of, any other country. No man understands better than does Mr. Hoover the truth and the substance of the hypothesis of international interdependence. You may feel entirely confident of the President's purpose to work wholeheartedly with other nations in the true spirit of internationalism."

A few days later Mr. Garvin quoted those words on his editorial page, and commented: "These sane and friendly assurances we accept with complete belief. Mr. Hoover has been misrepresented ridiculously as the economic monster of a standardized continent; as the passionless intellectual of organized materialism, devoted ruthlessly to the 'sacred egoism' of commercial America, with little human feeling for other countries, and less good-will, if possible, toward our own. These are the egregious caricatures of statesmen and peoples by which busy prejudice sows mischief in the world."

There we mark the beginning of that amazing press campaign which, backed up by every great journal in the United Kingdom, ran through the Spring and Summer months of 1929, and which changed an anti-Hoover into a pro-Hoover attitude from end to end of the British Commonwealth of Nations. Nor was that all. Not in the whole overseas world was there a newspaper or critical journal in the English language which remained cold to the facts and ideas set aglow by Mr. Garvin in *The Observer*. In Tokyo, in Shanghai, in Hongkong, in Manila, in the capitals of Latin America—wherever people of English speech make newspapers or periodicals of any kind—one found the story and the various interpretations launched by Mr. Garvin's rallying-cry, "Hoover and Hope."

It was on May 2, 1929, that Mr. Stanley Baldwin, then Prime Minister of Great Britain, received me in his room at the House of Commons. We talked for forty minutes, and that night I wrote these words in my diary: "I think it probably was my greatest

**day in international affairs: the matter is so big."**

I had begun by saying to Mr. Baldwin: "Am I safe in assuming that you are among those who are not satisfied with the present British-American situation?" and he had replied, "Quite safe." Then I asked, "You would like to put it right?" to which Mr. Baldwin replied: "I would do anything to put it right."

It struck me that my crucial opportunity had come. It had been my judgment from the first that the crisis, the deplorable sequence of bickering and dissonant, not to say dangerous, policy due mainly to squabbling over the League of Nations and the war debts, called for something surpassingly picturesque, something in the quality of great drama.

"Mr. Prime Minister," I ventured, "will you do something no British Prime Minister hitherto has done? Will you erect a British-American landmark? Will you set a great diplomatic precedent between the Old World and the New? Will you come to Washington for a heart-to-heart meeting and discussion with the President of the United States? I can think of nothing else which seems to me fraught with anything like so much promise of a quick and complete restoration of understanding and confidence between your country and mine. Personal intercourse, what I have named primary diplomacy, on the part of Europe's most responsible statesmen has saved European civilization since the great war. Why not adopt the practice between Britain and America at least long enough to determine the broad lines of a conclusive British-American accord?"

After a little while Mr. Baldwin said: "I should love to see the President. I should love to go over everything of interest to our two peoples, laying all cards face up on the table."

"May I say that to the President?" I asked.

"Yes," Mr. Baldwin replied; "say it without reserve. The issues are so important that I think a frank and full interchange of views of the highest moment. I should go to Washington not for any specific purpose, not to settle anything, but merely to talk and seek light. Hard as it would be for me to leave, if I were again Prime Minister after the pending general election, and if the President indicated that he really would be glad to see me, I should do my utmost to go."

That same evening I reported Mr. Baldwin's language to President Hoover, remarking: "This seems to me a great, perhaps historic, opportunity. I should be happier than I can say if you acted at once inviting Mr. Baldwin to the White House. Surely he is one of the most remarkable democratic leaders of our time, and his desire for a lasting accord between Britain and America is as deep as is your own."

But the general election at the end of May, 1929, put Ramsay MacDonald in Mr. Baldwin's place as Prime Minister of Great Britain.

Early on June 26, 1929, just before the arrival of his Cabinet colleagues for a meeting, Mr. MacDonald received me in the reception room at 10 Downing Street. I asked him if he were willing to do what his Conservative predecessor had agreed to do—go to Washington for a conference with the President. And at the same moment I handed Mr. MacDonald this typed memorandum, which ten days later I also put into the hands of President Hoover at the White House and of Secretary Stimson at the State Department:

I. Why the proposed Washington conference is urged: In order to get acquainted, to examine in the intimacy of direct conference the fundamentals of British-American relations, to try to find the broad basis of an accepted and permanent British-American peace and to fortify the favorable sentimental position built up within the last three months on both sides of the Atlantic.

II. Unless this big thing is done now, many complications may intervene, and possibly nothing unique and conclusive will be done for years. Meanwhile, disaster might overtake us. Until we establish the principle that in no situation shall war occur between us, we and the rest of the world are in greater or less peril. Anything like a great war tomorrow would bring us instantly face to face with the problem of getting our fleets, passively if not actively, on the same side or taking terrible chances of collision. That is what we want—no war if we can prevent it, our fleets passively or actively on the same side if we cannot. Obviate the possibility of British-American maritime opposition and you place a virtually indestructible foundation beneath the general peace of the world.

III. It sometimes is suggested that a dramatic departure in British-American relations would alarm other nations. I do not think so; I think political education is too far advanced for such apprehensions to amount to anything appreciable. And, anyway, we cannot let our affairs drift simply because we may arouse a certain anxiety in others. We should show the world that no matter what others may have in mind we, at any rate, have turned our backs forever upon war between ourselves.

IV. What I have roughly in mind is that the Canadian-American theory and practice of bilateral and conciliatory approach to every British-American question shall have formal and final acceptance as between the whole British world and the United States of America. In other words, the "North American method," as Mr. Mackenzie King has called it, shall be universalized in the English-speaking political sphere.

Mr. MacDonald scanned the memorandum slowly. Then suddenly he stood up. "They're arriving," he said, meaning his fellow Ministers. "Many thanks," as he folded the memorandum and put it in his pocket. We went down the stairway to the entrance hall, where we met the leaders of British Labor. Here, finally, as the Prime Minister laid a hand on my shoulder and looked hard at me, he said: "Tell President Hoover I am in complete sympathy with him in the matter of reducing armaments, and will do everything in my power to attain the end we both have in view. Tell him I am ready and eager to visit Washington at a moment mutually deemed auspicious."

That moment "mutually deemed auspicious" came in due course, some eight months after Mr. Hoover sat down beside me on the deck of the battleship Utah off Hatteras and Hampton Roads. Prime Minister MacDonald, as all remember, came to Washington and to the Rapidan; and the first fruits of his visit was that epoch-marking joint statement of himself and President Hoover issued in Washington on Oct. 9, 1929, predicated upon "the assumption that war between us is banished." That statement declared that "in view of the security afforded by the peace pact [the Briand-Kellogg pact], we have been able to end, we trust forever, all competitve building between ourselves, with the risk of war and the waste of public money involved, by agreeing to a parity of fleets, category by category."

Followed the successful London Naval Conference of 1930, the political and financial missions of Secretary of State Stimson and Secretary of the Treasury Mellon to Europe in 1931, the formal visits of Prime Minister Laval of France and Foreign Minister Grandi of Italy to Washington a few months later—and the slowly developing, but clearly discernible, present movement for such an endeavor to grapple with world problems as has not had its equal for comprehensivenes, for resolution, for knowledge in all the annals of international cooperation.

# Who Is Sir Basil Zaharoff?

*By* RALPH THOMPSON

It is not impossible that at some future time the world will know the truth about Sir Basil Zaharoff. Today, however, he appears merely as a shadowy figure, both heroic and diabolic, aged, phenomenally rich, silent upon his rôle in international politics and finance. One of the many stories printed about him states that he has written fifty-eight volumes of autobiography, which are to be destroyed at his death, unpublished. Another insists that the memoirs have already been disposed of, and that they were so extensive that it took forty-eight hours to consume them in the furnace of his Paris mansion on the Avenue Hoche. The heroic proportions—fifty-eight volumes, two days of burning—give some idea of the richness of the legend which has grown up about Zaharoff.

As in most legends, underneath the fancy lies some modicum of fact, and it is interesting to seek a way through the accounts of a generation of sensation-mongers, professional alarmists and ordinary hack-writers to what appears incontrovertible in the life of this so-called mystery man of Europe. The circumstance that Zaharoff himself has repeatedly refused to tell his own story to the public makes success difficult.* Despite this, it is not merely common curiosity that prompts investigation; Zaharoff was undoubtedly a figure of international importance during his active years, and even in his old age he exerts an influence probably potent and far-reaching.

*Advance proofs of this article were sent to Sir Basil Zaharoff and were returned with a letter dated Paris, May 7, 1932, which stated that "my rule is never to say anything concerning myself."

Typical of the vagueness enveloping Zaharoff's life is the fact that the two books which give the fullest accounts available do not even start from the same place. R. Mennevée, in *Sir Bazil Zaharoff, L'Homme Mystérieux de L' Europe* (Paris, 1928), on the certification of the Patriarch of Constantinople, makes the date of Zaharoff's birth Oct. 6, 1849, and the place Mouchliou, a suburb of Constantinople. Richard Lewinsohn, German journalist, whose book has been translated into English as *The Mystery Man of Europe* (Philadelphia, 1929), agrees with Mennevée on the date, but marks the birthplace as Mughla, a village in Southwestern Anatolia, some hundreds of miles from Constantinople—this on the authority of a parish register. Other accounts vary in both place and date.

The same confusion attends the question of parentage. "Zaharoff" is a Russian name, but apparently Sir Basil's racial background is principally or entirely Greek, despite suggestions of French or Jewish lineage. Today Zaharoff may or may not be a French citizen; France has awarded him a Grand Cross of the Legion of Honor, which is rarely bestowed on foreigners. But he is also a Knight Grand Cross of the British Empire, a distinction usually conferred only on British citizens. In 1922 a formal interpellation in the French Chamber of Deputies demanded the facts of Zaharoff's citizenship, but Poincaré, then Minister of Foreign Affairs, vouchsafed no answer, although replies to interpellations are, under French parliamentary rules, obligatory.

That Zaharoff's sympathies, as well as a share of his fabulous wealth,

have been freely bestowed upon Greece is often alleged. Lewinsohn states that as a young man Zaharoff was befriended by Stephen Skouloudis (later Prime Minister of Greece) and that it was through him that a connection was established in 1877 with Nordenfeldt, the Scandinavian armament manufacturer — the first step in a long and colorful career in war supplies and munitions. If so, over and above any more simple ties of racial loyalty, Zaharoff had reason to be grateful to a Greek, for once he had connected himself with a munitions manufacturer, the foundations of vast wealth and influence were established. By 1895, most accounts agree, Zaharoff had had an interest in Russian, Turkish, English, French and German armament concerns, and eventually became the controlling power of European munitions. Perhaps it is true that in 1914 he had large interests in both Krupp in Germany and Vickers in England. If so, for once he found himself ideally situated on both sides of the fence!

The rise from an obscure birth in Turkey to a prominence which could dictate national policy in wartime—or perhaps dictate when the wartime itself was to come—has not been satisfactorily explained. Some say Zaharoff was really born a poor boy, another that he was sent to Eton in England and inherited a fortune from his father, another that the school was not Eton, but Rugby, and was followed by Trinity College, Cambridge. Mennevée, who of the two principal commentators is the more systematic, frankly admits he does not know the truth about Zaharoff's ascent to riches and fame, yet does not hesitate to imply that his subject was shrewd in a sense not always consonant with the canons of fair play.

That Zaharoff, at least occasionally, advanced his fortunes by fair means or foul is attested by a story in Sir Hiram Maxim's book, *My Life* (London, 1915). Speaking of the Maxim rapid-fire gun and his efforts to establish it over its great rival manufactured by Nordenfeldt, Maxim tells of a competitive trial held by the Austrian Government in the 1880s. The Nordenfeldt apparatus had beaten the field until Maxim arrived with his American invention, which proved the more serviceable arm. Archduke William told Maxim that he was delighted with it, but that he had nearly not come to the trials because "the agent of the other gun" had tried to persuade him that a "philosophical instrument maker" could not manufacture an efficient piece in quantities. Maxim further states that the Nordenfeldt agent, who "spoke all languages and was a very plausible talker," had also circulated false reports to the press with the intention of damaging his rival's product in the public estimation. That Maxim does not mention Zaharoff by name may be explained by the fact that Nordenfeldt, in 1888, was amalgamated with the Maxim Gun Company and became Vickers Son & Maxim, Ltd.

In Mennevée's book, which is an inconsecutive mass of information, partly definite, partly indefinite, and entirely antipathetic, one is constantly reminded that Zaharoff has achieved his position by Machiavellian tactics and has profited by moves which took little care of an opponent.* Always protecting the Vickers interests, Zaharoff is said to have played a canny international game, swinging his firm's support, for instance, to the creation of a Turkish navy after Russia had objected to the foreign financial control of *Chantiers Navals de Nicolaieff,* a syndicate which built ships for the Russian fleet; setting up ostensibly French munitions companies, which were actually British-controlled; extending Vickers' power into

*It is interesting to note that Mennevée's views have not changed since his book was published three years ago; in a letter to the editor of CURRENT HISTORY dated Paris, April 6, 1932, he stated that "I have no reason to revise what I have written."

Rumania, Spain, Canada and even the United States.

Nor, according to Mennevée, has Zaharoff contented himself with manipulating the international munitions market. When, in 1916, French interests desired to establish in the Balkan States a news service which would present the French point of view rather than that of the great German publicity bureau, the Wolff agency, Zaharoff was prevailed upon to supply the funds, and *L'Agence Radio* was formed and functioned until Reuter, the British news bureau, caused Zaharoff to withdraw his support. By repute always eager to further British policy, Zaharoff is said to have brought French petroleum interests under the thumb of the Anglo-Persian Oil Company, which is directly connected with the British Government. This was achieved either through the setting up of a dummy company or by means of secret representatives on the directing board of a bona fide French corporation

These examples are but a few of the many which Mennevée calls to the support of his thesis that Zaharoff, the man so signally honored by France, has been no friend to her. Why, then, were the honors bestowed? This question has been asked in the French Chamber of Deputies, but, like many others relating to Zaharoff, it has never been satisfactorily answered. Mennevée imputes the success with which Zaharoff played his game to Georges Clemenceau. It was, for instance, during Clemenceau's Ministry that Zaharoff's interests obtained French oil concessions; it was through Clemenceau that Zaharoff rose in the ranks of the Legion of Honor; it was through Clemenceau's "diplomatic treason" that he obtained virtual control of the principality of Monaco.

Here the story runs upon the rocks of contradiction once again. Zaharoff himself is reported to have said in 1926 that he was "not even indirectly interested in the Monte Carlo Casino" —a statement which, as every one knows, is tantamount to saying that he was not interested in the principality of Monaco. It is indisputable, however, that for some thirty years Zaharoff has spent much time at his villa on the *Côte d'Azur,* and it is not impossible that, as Mennevée claims, he obtained control of Monaco for purely personal reasons. In 1923 a newspaper account stated that Prince Louis of Monaco had found himself in financial straits and that only by selling a large block of stock in the *Société des Bains de Mer* to Zaharoff was he able to avert bankruptcy.

But, according to Mennevée, the circumstance was not so simple. "For reasons as mysterious as his own personality—perhaps for himself, perhaps to further British policy, perhaps even to try to set up for a person particularly dear to him a sort of entailed estate—Zaharoff saw the possibility of becoming secret master of the principality of Monaco, and * * * obtained, on July 17, 1918, from M. Clemenceau, Premier and Minister of Foreign Affairs, a secret treaty which disengaged the principality from the rights of sovereignty which France had exercised there * * * and made it an independent and entirely sovereign State."

The "secret treaty" of July 17, 1918, was denounced in the French Senate in 1921 by M. Gaudin de Villaine, Senator from La Manche, who demanded of Poincaré, then Premier, why the government had "alienated France's imprescriptable rights over her fief." Actually, in the treaty of 1918 the Prince of Monaco "guarantees to exercise his right as a sovereign in perfect conformity with the political, military, naval and economic interests of France," and France, on the other hand, "assures the principality of Monaco the defense of its independence and guarantees the integrity of its territory as if that territory were part of France." But this treaty was, by admission of both contracting parties, drawn up only because both were "desirous of confirming by formal means

the protecting friendship that, according to happy tradition, the principality had always received from the French Government." Here is hardly grounds for crying "diplomatic treason." Yet Mennevée denounces it as such—and, furthermore, charges that the whole affair was "indubitably" inspired by Zaharoff.

Are we here in the realm of a fancy which has thrived on such stories as that Zaharoff's Paris home is equipped with a gold dinner service and jewel-inlaid spoons? Lord Beaverbrook, the British newspaper owner, has not balked at saying of Zaharoff: "The destinies of the nations are his sport; the movements of armies and the affairs of governments his special delight. In the wake of war this mysterious figure moves over tortured Europe." A New York newspaper some years ago announced that the chief pleasure of this strange man is in cookery; he spends long evenings in "his wonderful kitchen, cooking rare dishes." Or again: "On many occasions airplanes would bring strange sea food from distant waters to be prepared in London in the morning and to be eaten by him at noon in Paris." The German Government, during the war, put $100,000 on his head, dead or alive.* He speaks fourteen languages fluently. When King Fuad o Egypt visits Paris, his hotel is Zaha roff's mansion. Even the British Kin and Queen call for tea when they hap pen to be in town. At any rate, s one may read.

Zaharoff's efforts in the Greco Turkish War of 1920-22 are, if wha we know of them be true, more logica than other activity imputed to him for both parentage and certain per sonalities may have made him sympa thetic toward Greek aspirations. Tha Great Britain gave moral support t Greece in her vain attempt against th Turks is well known; Lloyd Georg said as much in 1922—although prob ably only he of the British Govern ment was a Hellenophile at the time The origin of the Prime Minister's pro Greek leanings, an attitude which wa in a measure responsible for the down fall of his government in October 1922, has been traced to Zaharoff Apparently Zaharoff met Venizelos the Greek patriot, during 1918 an then agreed to exert his influence t the end that France and Great Britai would support the new Greek empir which was to rise from the ruins of a war-riddled Turkey. France, however resisted any such blandishments, an favored the Kemalist Turks rathe than Greece, which promised to b

*If this be true, official Germany later had reason for a change of attitude toward Sir Basil Zaharoff. Dr. Richard Lewinsohn, author of *The Mystery Man of Europe*, on May 13, 1932, wrote to the editor of CURRENT HISTORY as follows: "Upon the appearance of my work on Zaharoff, which was first published in the *Berliner Illustrirten Zeitung*, the Foreign Minister, Mr. Stresemann, asked me to call upon him (I was then financial editor of the *Vossische Zeitung*, Berlin) in order that we might discuss this man. Stresemann had read my work on Zaharoff and had been exceedingly interested in it. He told me that during his Chancellorship he himself, as representative of the Reich, had had some important financial negotiations with Zaharoff, for in the Autumn of 1923 Zaharoff had offered Germany through a third party a large loan for currency stabilization and for food supply. Stresemann at that time had not known who Zaharoff was, but, inquiring of the German Embassies i Paris and London, had found out that h was an unusually rich man who appeare to be very sincere in his offer. Strese mann told me that he was himself muc interested in the possibilities of the loan but that nothing further came of the ne gotiations because affairs in Germany al tered rapidly and because a change i administration gave Marx the Chancellor ship, leaving Stresemann with only th portfolio of Foreign Affairs." Dr. Lewin sohn also points out that in an edition o Stresemann's notes and papers, the firs volume of which has recently been pub lished in Berlin by the Ullstein Press there is further discussion of the circum stances under which this loan was pro posed, together with relevant passage from the memoirs of Lord D'Abernon who was the Ambassador of Great Britai in Berlin at that time and with whom Stresemann discussed Zaharoff's rôle i the scheme.

too tractable an agent of British policy along the Dardanelles. But Great Britain was willing—or, at least, Lloyd George was willing.* An American newspaper said at the time of his resignation in 1922 that the inspiration of the Prime Minister's Levantine policy had been a beautiful Greek woman, who often passed days at Chequers, having been introduced through the kind offices of Basil Zaharoff.†

In August, 1921, Lieut. Col. Walter Guinness, member for Bury St. Edmunds, startled the British House of Commons by a denunciation of British policy in the Greco-Turkish affair. "I cannot find any expert," he declared, "whether traveler or soldier, who approves of our present and recent policy in the Near East. This is not to say that the Prime Minister has no counselors. I believe that in this matter the voice behind the throne, or, I should say, behind the Presidential chair, is that of Sir Basil Zaharoff." Mr. Aubrey Herbert, speaking before the same legislative body on July 17, 1922, restated the idea. "He [Zaharoff] has been one of the strong supporters of our Greek policy. The result of that Greek policy has been that the whole of the East is in chaos and that Great Britain has made enemies throughout the entire East. Sir Basil Zaharoff is reputed to have paid £4,000,000 sterling out of his own pocket for the upkeep of the Greek invading force in Asia Minor." To these charges Lloyd George made no definite reply, despite the fact that many London periodicals discussed the matter.

The story of Zaharoff as we know it is, however, not all politics and finance; the inevitable ingredient of romance—in its most highly seasoned form—has been made part of the pottage. The term "richest man in Europe" (or minor variations upon that title) has made almost necessary a love affair of equally superlative degree, but, surprisingly enough, Zaharoff's marriage to the Duchess of Marchena, widow of a cousin of Alfonso XII, is one of the few events in his life which appear to be beyond dispute. The wedding took place in 1924, when Zaharoff was well over 70 and his bride, though younger, had been for some time a grandmother. Less than two years later Mme. Zaharoff died in Monte Carlo, and the principality which rumor said had been acquired as a dowry for the lady was, if that be true, without a mistress.

As in the other instances, a pleasant choice of alternatives here greets those who are curious about Zaharoff's life. The story goes that as a still unknown munitions salesman in the late 1870s, Zaharoff fell in love with an exquisite young girl whom he encountered on a railway train, and through her good offices (she was the Duchess of Marchena, wife of Prince Francisco de Bourbon, Duke of Marchena) won a magnificent $25,000,000 order from Spain and a partnership in the firm he represented. Another account states that while descending the staircase of a Madrid palace Zaharoff saw a man throttling a young woman. Gallantly intervening, he

*Further evidence in the connection has been given by Lieut. Commander J. M. Kenworthy, member of the British House of Commons from 1919 to 1931, who wrote on May 6, 1932, to the editor of CURRENT HISTORY that "Lloyd George was genuinely friendly to Greece and believed it was in British interests to support her against Turkey after the World War. I disagreed with Lloyd George, and frequently argued the question out with him." Lieut. Commander Kenworthy added in the same letter that "the late Right Hon. T. P. O'Connor was a close friend of mine, and also of Zaharoff's. O'Connor always defended him." O'Connor's reminiscences, published in New York three years ago as *Memoirs of an Old Parliamentarian*, however, contain no mention of Zaharoff.

†The "beautiful Greek woman" was reported to be Lady Domini Crosfield, the former Domini Elliadi. In a letter to the editor of CURRENT HISTORY dated London, June 3, 1932, Lady Crosfield neither confirmed nor denied this allegation, although she stated that she was acquainted with Zaharoff.

found he had saved the Duchess of Marchena from her cruel husband.

Whatever circumstances did attend that first meeting, once it took place Zaharoff was smitten, and even the embattled Mennevée approves in these words: "The profound affection which Sir Basil Zaharoff bestowed upon the Duchess of Marchena for more than thirty years, during which he patiently awaited the day on which he might finally give his name to her, * * * will perhaps be the reason for which, in the words of the Gospel, much will be forgiven him." Perhaps also on other scores this man of mystery will be "forgiven," for he has been a patron of science and letters and a public benefactor from time to time. It is said that the officers of the Paris Zoological Gardens were speechless with surprise when a stranger—identified later as Zaharoff—on the spur of the moment handed over 500,000 francs for the repair of the drafty monkey houses. This reputed enemy of France is said to have given 1,000,000 francs to the "save-the-franc" fund, over 200,000 francs to help defray the expenses of French athletes at the 1920 Olympic games and 700,000 francs to the University of Paris to found a chair of aviation, in addition to gifts to other universities and institutions abroad. In 1922 he established the *Prix Balzac,* which is one of the many literary prizes of France.

The formula, after all, demands good deeds with the bad. For it is a formula that has directed the shaping of the Zaharoff story as we have it today. The contemporary commentator must resign himself to the fact that he is facing a legend, as much as a man, in writing of Basil Zaharoff, who, whether he deserves his notoriety or not, has become the prey of the makers of twentieth-century folktale. Reduced in proportions and turned perhaps by nationalist sentiment into a harmful rather than a protecting force, Sir Basil Zaharoff is the modern counterpart of any one of a half-hundred legendary figures. As the history of the last few decades is put together piece by piece, with the help of the memoirs of the leaders in statecraft and industry, exposed secret archives and files of diplomatic correspondence, we shall know how much of the Zaharoff story is true and how much is fable. In the meantime, we shall continue to be regaled with vivid accounts of international machinations, or perhaps even an idyl or two of an old man benignly living out a fabulous life in the sun of Monte Carlo. Such stories are engrossingly easy reading. They carry one along as might an avowedly romantic novel. Nevertheless, they may contain the authentic note of history.

# A Test for the Modern Woman

By MARY R. BEARD

[Mrs. Beard is co-author with her husband, Charles A. Beard, of *The Rise of American Civilization* and author of *On Understanding Women.*]

ONE of the serious consequences of the depression is the disaster which has overtaken rugged American feminism. Just at the hour when it seemed that the women's program of equal rights was to be fully realized after a struggle of eighty years, the crisis came to leave the movement stranded.

American women have been accustomed to a high degree of personal privilege and they are unprepared both physically and mentally to cope with financial calamity. Indeed, they appear to be more stunned than men, judging from the silence among them as to the means of recovery. Women had turned so far from the broad study of life in their effort to emulate the men in the immediate landscape that they failed to foresee that the equality which they coveted might eventually prove to be equality in disaster.

The very transfer in the ownership of wealth to women in recent years in America is in part their misfortune, because property rights are now a heavy burden on their hands. Equal pay for equal work, especially in the teaching field, grows meaningless when an entire staff of instructors has to serve without remuneration; an over-supply of teachers in every city raises apparently insoluble problems for the most ardent egalitarian. An ideal of factory labor on the same terms as men enjoy signifies nothing when neither men nor women can get employment of any sort. Even the battle for the remaining posts loses its heroic qualities to some extent and resembles an atavistic tooth-and-claw struggle in a narrowed and cramped arena. Instead of the benefits which they had confidently anticipated from economic equality, the feminists are unexpectedly confronted with defaults on dividends, a rapidly contracting labor market, a new dependence that the older family system of economy never knew, and the possibility that the capitalist system of production and distribution in which they have been participating so blithely is overworked and doomed.

Everything looked so promising to feminists until the 1930s. Their forward march toward equality was marked by the attainment of important political offices, novel business positions, unexampled wages and salaries, educational influence, laboratory advantages, scientific training, honorary degrees, prizes of many sorts, rare chances to explore the earth by land, sea or air, and international recognition. Every few years the press took stock of woman's prowess along man's lines and recorded her gains and liberties. Such inventories led to bolder efforts at acquisition and enjoyment, and thus the general feminist movement was kept alive, encouraged and rendered confident.

For almost a century feminism had been stamping itself on American culture with ever-deepening hues. The Civil War and the World War contributed abundantly to its progress: the domestic struggle by turning half a continent over to free economic exploitation by the two sexes, and the foreign struggle by opening the avenue to full government manipulation to

both on equal terms. Indeed, the movement which began with a demand for the prerogatives of men—property rights, cash remuneration for labor, formal education in all its branches, business and professional opportunities and enfranchisement—actually brought such power to women that within a few decades they gained a status amounting almost to dictatorship in the nation's industrial and social order.

At the height of post-war prosperity it was discovered that women were paying billions of dollars annually in taxes and that they were inheriting 70 per cent of the estates left by men and 64 per cent of the estates left by women. Efforts on the part of male relatives to evade taxes and sieges for alimony on the part of wives helped to divert vast sums to this centre of vested rights. Woman's greater longevity was also an asset, and one of the most striking phenomena in this country up to the depression was the horde of aged ladies residing in expensive hostelries and resorts, awaiting the messenger of death as luxuriously as possible.

Personal holdings as a source of privilege and influence were supplemented by the widespread practice which housewives enjoyed of spending their husband's wages and salaries. Although the census shows nearly 1,500,000 more men than women in the population, the custom of arming the women with this enormous control over expenditure made them, as the main purchasing agent, the director of industry. As Eunice Barnard phrased it, the "Stop and Go signals for business enterprise" were in women's keeping. Production was largely determined by the feminine choice of commodities, while the profits were flowing in women's direction in a steady stream.

Aware of this control over the economic nerves of the nation, in the heyday of the surplus when the wheels of industry were revolving merrily and women were spending freely, the cry went up from Washington for them to store less food and clothing in their houses and put their money instead into Liberty and Victory bonds, where it could be utilized to finance the war. The slogan then emanating from the White House was "Save!" and women patriotically lent their savings to the government, organized thrift instruction in the schools and made thrift appeals on the streets. Then, in the days of want, when the wheels had ceased to turn and plants stood idle, while the banks were congested with gold, manufacturers and merchants joined politicians and financiers in urging the women to "Share!" and to "Spend!" In other words, women were told to remember that they managed the economic signals and were urged to place them at "Go!"

If feminist operation became highly determinative in the realm of business and finance, it finally assumed a decisive importance in the political theatre as well. A glittering golden age of privilege carried women to the point where they shared in selecting the President of the nation, though none of their sex has yet had a nominating speech for that office made in her behalf at a major party convention. It is true that "Oh, You Beautiful Doll!" resounded through the auditorium when a female delegate eventually nominated a male for the Presidency or seconded the motion, but women were then swept into the common stream of political action with the fanfare and "Hail! Hail! the Gang's All Here!" Their cheers, their local and national campaigning talents, their financial aid and their emotional novelties were all found stimulating to a full-blown democracy in political assemblage.

The "gang," which included increasing numbers of women delegates after 1918, also comprised party auxiliaries of the same persuasion. These were active in the corridors of the convention buildings and came equipped with

platform and radio rights and the funds for travel up and down the land, so necessary for success at the polls. Besides the party delegates and the extra allies, women styling themselves non-partisan achieved a certain influence with the politicians by their united stand for general welfare planks and bills, usually designed with women and children mainly in mind.

In the sweep of feminism the United States became habituated to women Mayors, legislators, national political committee executives, Governors, judges and international commissioners. A European has facetiously remarked that it takes more than a spinster to disarm a male, but at all events, in deference to the insistence of numerous women's organizations, a woman was given a place on the American delegation to the Geneva conference on arms reduction. Thus the circles of feminist politics spread to the periphery of domestic concerns, creating a stronger agitation for the surcease of war.

Rugged feminism in America was refined in some respects and gross in others. It was born of the necessity to recover from the blows administered to the family system of production by machine enterprise. There was vigorous feminine leadership in the old tribal system, and the first group master was no doubt the mother, the logical family maker. About the productive home in the seventeenth century centred economic, political, intellectual and social life, and any one who doubts the forceful rôle of woman in that society should read Alice Clark's volume on domestic industry in England, an economy which migrated with the colonists to the New World. But that system lost its hold over the earth, and nowhere so completely as in the New World. Had women then allowed themselves to be brushed aside forever by the masculine assumption of economic dominance they would have displayed an inertia, a lack of social understanding, a personal sacrifice and a dearth of genius which were not characteristic of the sex.

Again and again in history women had seen their existing economy invaded by hostile forces. After tragedies comparable to paralytic strokes they struggled to their feet times without number and planted themselves as firmly as they could on changed ground. After experiencing the dissolution of the great family system in Rome they grappled ably with the strange problems of the thousand-year depression that followed. Woman under monasticism was by no means the helpless victim of a medieval masculinism that she is popularly represented to have been; Lina Eckenstein justly portrays her as a molder of destiny. Against the mechanical revolution which demoralized the domestic economy of the seventeenth and eighteenth centuries, American women and others in turn have made notable headway; so much headway in this country, indeed, that there are men who like to say we are now faced with a matriarchy. If so, it is not the archaic or family variety, but a new-style matriarchy, individualized and denoting to an amazing degree the "third sex." Families even cease to live under the same roof as of old, when parents, children and children's children labored in a common economic network. An unmarried woman may establish her residence where and how she pleases to an extent never known before. The wife is now seeking to establish the legality of a separate domicile from that of her husband when business or professional circumstances make such a step personally advisable.

As a spur to initiative and career-making, the doctrine of equality was useful. Bourgeois men had found it to be such a stimulus when they announced that all persons of their own sex were created equal. And if the doctrine of equality was the best that women could devise in the 1840s,

knowing almost nothing of the long past, it served at least to energize their wills and to give direction to their thinking. With the growth of a New World bourgeoisie new values were established in personal ethics for men and women alike, such as the desire to "get on" competitively and the thirst for offices and rewards which are available only in an elastic society. Americans of both sexes could enjoy the rare delights of acquisitive liberties, political privilege and costly diversions with the least check and balance of any people. Their land was long the richest in undeveloped tracts and natural resources. It was the freest from traditional inhibitions. Pioneers in a brief century or two had given it all its recognized history. Its women could profit in a peculiar way through the infinite subdivision of technological processes which marked the course of industry; these specializations made room for women's skill in managing machines and accessories, provided incomparable wages for the working class and unexampled wealth for the owning class. Individualism mounted to favor as the perfect good. So the bourgeois democracy of America reveled in its widely distributed liberties. Its restless feminine contingent found additional exercise for its released energies by inciting women in other lands to organize, to agitate and to acquire.

The social bearings of this economic and political power are still evident. Women own mines and mills in the United States employing child and adult labor. They have stocks and bonds in their deposit boxes representing every kind of investment from a low-rate government security to the most unstable foreign loan. Women are heads of colleges, where at least their own sex foregathers. As doctors and lawyers women contribute to medical and legal opinion. They are ministers preaching the old gospel, and they are founders of new sects. They testify before the Senate committee investigating heavy financial transactions in which they are involved as willful actors. They preside over crime prevention bureaus and over courts. They conduct campaigns for and against a free liquor traffic. The National Woman's party seeks to abolish by legal means the remaining discriminations against their sex, such as the loss of citizenship by a woman married to an alien. The League of Business and Professional Women sets as its goal "A High School Education for Every Girl"—something no man's organization has yet sought for every boy. The American Alliance for Civil Service Women is working to defeat the "practice of certifying lists by sex at the mere whim or prejudice of the appointing officer." The greatest parliament of women ever assembled is being planned for next Summer at Chicago.

Thus the current of rugged feminism bore women along an exciting course of equality and freedom to the attainment of extraordinary experiences, a broader administrative outlook, unusual racial and political contacts, a personality which felt the wide earth to be its home, and a new consciousness of kind. But there were cross-currents. Because of strict fidelity to the dogma of equality, feminism as it flowered became weakened in its critical faculties. What women members might take to the House of Representatives or to the Senate, to caucus or convention, in the way of intellectual or political equipment, seemed to matter little; the point was the counting of women's and men's heads. Every feminist victory at the polls was accorded a paean. Sufficient to all occasions was the idea of an equal participation as between the sexes. To receive army ranking for nursing and other services in time of war was one of the prominent objectives, notwithstanding the movement for peace. To be a butcher, a baker, a candlestick-maker was regarded as excellent in itself if men were

butchers, bakers and candlestick-makers. Naturally, it was better to be a speaker, a preacher, a captain of industry, an artist, an efficiency engineer, or a financier, if men believed it so.

Emancipated women settled back to enjoy their new liberties with scant thought of the future. Ceasing to be familial on the former scale, association developed into a herding of adults with individualized interests. In the beginning there were some troubled consciences among the clubwomen, and self-improvement programs demanding intellectual effort on their own part marked the path of club activity, much as Roman women in the early era of a leisure class drew together for the study of arts and letters, music and philosophy. Political discussions and programs were gradually added to the club activities. But soon the clubs adopted as their main attraction the easiest form of entertainment, namely, lectures by native and foreign savants, without the necessity on the part of the members themselves to study the subjects which they heard discussed. Clubhouses were essential for these activities, and of course they had to be financed. Little by little the erection, the maintenance, the tendency toward continuous use, the struggle for a large membership in order that the bills might be paid, induced an intense preoccupation with vested interests until the club building grew so important that even the speakers were viewed as gate receipts. An aggressive, independent, articulate conviction on current events or impending economic and political happenings, such as had provoked the original feminine association, gradually deteriorated into a timid, inarticulate reliance on the opinions of others. The clubhouse had conquered the mind. Other types of leisured association among women developed a similar mental inertia. One leading national organization, not devoted to the clubhouse but bewildered by its very size, its meager aims and its expense, actually called in two men to appraise its objectives and suggest what must be done to save the group.

As long as the *laissez faire* philosophy to which the creed of equality was attached could maintain its economic basis, women did good tail-flying. But the man's kite was always in danger of falling; it was always dipping and diving, and women, racing in the rear, were lamentably blind to the perils ahead. They rejoiced to receive institutional education—just at the time when it had lost its momentum and become hopelessly formalized; they got the vote when it had become least effective, owing to the power of the so-called invisible government; they entered remunerative positions at the period when big business was dropping into a deep air-pocket; they made their main intellectual drive on masculine knowledge at the very stage of man's intellectual collapse.

Perhaps the greatest challenge of history now confronts the women who, led on by the desire for equality, have tasted the sweets of unparalleled liberty. They surely comprehend at last that nine-tenths of the national wealth cannot be diverted to the coffers of the rich, however many women may be included in that category, with any assurance of economic stability for themselves or for other "independent" women. With history as well as recent events to warn them, they must prepare to meet the challenge to bring new ideas to bear on American life and on their own destiny within it.

# Gerhart Hauptmann at Seventy

*By* HARRY SALPETER

[The author of the following article is a literary and dramatic critic who for many years was associated with the *New York World.*]

IN a few days, on Nov. 15, Gerhart Hauptmann, Germany's most distinguished poet and dramatist, will celebrate his seventieth birthday. So definitely is he regarded as a symbol of republican Germany that his sixtieth birthday was marked by a period of national celebration, with revivals of many of his plays and pilgrimages to his forest home in Silesia. About that time also there developed a boom for Hauptmann as President, a boom which he himself quieted. It is only because of the Goethe centenary this year that Germans are not celebrating Hauptmann's seventieth year as ten years ago they celebrated his sixtieth and as twenty years ago they celebrated, in a milder fashion, his winning of the Nobel Prize for Literature.

It is not out of any sense of personal insufficiency that Hauptmann has failed to seek public office. Remembering that Goethe was in effect a Prime Minister and that other men of letters have been privy councilors in Germany, he believes in the capacity of poets to be Premiers and hold other commanding positions in the affairs of State. And his bearing, indeed, has the lordliness of a feudal chief. He is tall, stately and erect, with a large face, criss-crossed by a thousand lines, a noble brow and a whitening head of hair. The poet laureate of Germany is benignity in strength.

Yet he continues to create. He is unwilling to rest on his laurels. The standard of life he has imposed on himself demands that he continuously produce works for the stage and for the press. He has still that desire, noted many years ago, of chaining criticism to his chariot by giving the world types of work that will demonstrate his power to overleap the limits which his own genius has set for him. The remembrance that certain of his works have been failures rankles yet. There is enough ambition in him to season a serenity that might turn into a savorless self-satisfaction.

So powerful and so pervasive was the influence of Goethe on the sensitive and precocious child Gerhart that it was with a sense of shock that he learned, at the age of 7, that the great poet of Weimar had been dead thirty-seven years. The child on whom the Goethean mantle was to descend was born at Ober-Salzbrunn, in Silesia, the youngest of three sons. His father was an innkeeper, and his grandfather Ehrenfried was a weaver, a witness to, if not a participant in, the workmen's revolts of the 1840s. Out of these recollections of his inheritance and environment, Hauptmann fashioned his famous play of hunger and revolt, *The Weavers,* and certain early dramas depicting the evils of alcohol.

But his father's inn and his grandfather's tales were not the only influences to which the young poet was subjected. Through his mother, a mild and devout lady, and an uncle and aunt, pious Moravians with whom he lived for some time, and in whose home he was drenched in the music of Bach and Handel, a religious pressure was exerted upon him, and he asserts today that, after Goethe, Luther most impressed his early years. Thus we see how typically German, in the best sense of that

word, were the influences from the past that helped to shape him.

At the age of 12 he was sent to school at Breslau, making but an indifferent student, except in drawing and essay writing. It amuses him today to recall that one of the schools in that city is named after him, the undistinguished scholar. His father, falling on bad times, was compelled to withdraw young Gerhart from school, but the boy returned to Breslau years later as a student in sculpture at the Royal College of Art, where Gottfried Keller, the Swiss story teller, and Henrik Ibsen, the Norwegian dramatist, were fellow-students.

He had already begun writing plays, but he was still far from the knowledge that his vocation was the drama. These are his years of indecision, during which he fluctuated among diverse intellectual influences and careers, universities and cities. It is plain that he did not know what he wanted to do, nor in what province his talents lay. Indeed, in several of his subsequent plays he dramatized the tragic quality of indecision in his heroes, indecision between careers and between women, ending in the dramatically unsatisfactory solution of suicide.

After leaving Breslau in 1882, at the age of 20, Gerhart went to the University of Jena, to be with his brother, Carl, with whom he studied under the scientist Haeckel and the philosopher Eucken. This brother, who became a scientist, has left several works of poetry and drama which have been lost in the shadow cast by his younger brother's greatness. In the Spring of 1883 Gerhart set out on his wander-years, following the trail of Byron along the South of France and in Italy with a copy of *Childe Harold* in his pocket. For a time he was a sculptor in Rome. The influence of Byron and of Goethe's *Werther* are reflected in his first work, *Promethidenlos*, published that year, since withdrawn, and now very rare, wherein Selim, the hero, finding it impossible to decide between two careers, ends his life in the sea.

It is in this period approximately that we find Hauptmann studying under Forel, the psychiatrist, at Zurich. These studies bore artistic fruit in one of his early short stories, *The Apostle,* and later developed into one of his most solid creations, a novel bearing the title of *The Fool in Christ,* and in one of his most sensitive plays, *Hannele,* known also as *The Assumption of Hannele.* Following his Roman Summer and the stay at Zurich, Hauptmann went north to the Thuringian mountain home of the three sisters who later married the Hauptmann brothers—Carl, George and Gerhart. It was this lovely passage of his youth that was re-created in his play, *The Maidens of the Mount.* Although his mind was unconsciously storing up material for use in poetry, drama and fiction, so little did Gerhart realize in what direction his talents lay that he continued his studies in sculpture. Then we hear of him trying to find work as an actor—in which it was his ambition to make sculpture plastic in his own body. But in this vocation he failed, and years later he projected himself as the lisping actor in *The Rats.*

A married man, he settled in the Berlin suburb of Erkner. He read, he wrote, he studied. He read omnivorously in science and sociology—Karl Marx, Darwin and Saint-Simon, among others. The Byronic influence was giving way to that of the emerging Naturalists, chiefly Ibsen, Zola and Tolstoy. He came into contact with a German group which was responding to the new intellectual currents from France, Scandinavia and Russia, and with Arno Holz, author of a play called *Papa Hamlet.* More and more he fell under the influence of the Naturalists, and he began to see that his strength was as a writer.

It was under the aegis of the Nat-

uralist credo that *Die Freie Bühne* (the Free Stage) was organized in Berlin to give representation to the new drama. Hauptmann offered this organization his first play, a stark depiction of life bearing the title of *Before Dawn.* It was produced at the Deutsches Theater, following, rightly enough, Ibsen's *Ghosts.* From the year of this production, 1889, dates Hauptmann's renown, although this drama presented Hauptmann in what was to be his least characteristic manner. The world was to discover, with a pleasant sense of surprise, that Hauptmann could be a naturalist of the darkest hue in his first six plays and then assume his real form, that of the joyous poet, in both drama and fiction. If the poet that lay unexpressed in Hauptmann emerged as the hero of Naturalism it was because he allowed his course to be set by the exigencies of the time. Possessing the capacity to take color from his surroundings, the temper of his time, Hauptmann has been called an intellectual chameleon, but those early plays of his are none the less sincere and powerful for being the work of a winged poet.

*The Reconciliation* and *Lonely Lives,* both reflecting the Ibsen influence, followed *Before Dawn.* Then came *The Weavers,* which gave Hauptman transatlantic reputation, and then *Colleague Crampton* and *The Beaver Coat.* Thereafter followed his first break with the Naturalist tradition. His seventh play was *Hannele,* wherein he pictured sympathetically the sublimation, in the mind of a wretched little girl, of her teacher into the Christ figure. This was a dramatization of what the Freudians call "transference." In 1894 Hauptmann paid the New World his first visit to attend the New York performance of *Hannele.* He came with no greater distinction than that of a steerage passenger, lived obscurely in an obscure lodging house off the main artery of travel, and was hounded rather than honored, for the play was virtually suppressed by the police on the technical ground that a minor was employed for the title rôle. When produced privately it was criticized as blasphemous, and poorly attended.

*Hannele* was followed by one of his most magnificent failures, *Florian Geyer,* a historical drama of the Peasants' Revolt, and in 1896 by the most lovely expression of Hauptmann's characteristic genius, *The Sunken Bell,* a glowing drama of allegory and symbolism, sufficient in itself to keep fresh the name of Hauptmann for generations to come. The six plays that followed were so evenly divided between the naturalistic and the idealistic that it became impossible for any particular group to claim him. Peasant tragedy alternated with Shakespearean farce, and rogue's comedy with poetic legend, a realistic tragedy such as *Rose Bernd* (one of Ethel Barrymore's most magnificent rôles) with *The Maidens of the Mount,* recollection in tranquillity.

In much of his work, in verse, in drama and in prose narrative, he has retold and reinterpreted mythology and history, not excluding those basic legends of the Teutonic people, the tales of Lohengrin, Parsifal and Vulcan. It is when he works with myth that his poetical fancy has freest flow, as in, for example, his *Henry of Aue,* based on the story of the leprous knight restored to health by the willingness of a virgin to share his fate. The theme of redemption through sacrifice is one of his favorites.

But Hauptmann has also, it must be remembered, been close to his age. When *The Weavers* was produced the Kaiser ordered his emblem removed from the royal box in the theatre, and the royal lease was canceled. When the Schiller prize was conferred on Hauptmann the Kaiser refused to confirm the award. When, in 1913, there was produced at Breslau Hauptmann's *Commemoration Masque,* a

mystical puppet show in which there was praise of Napoleon as a unifier of the German States, the Crown Prince let his displeasure be known. These experiences have tended to accentuate Hauptmann's faith in democracy without lessening his loyalty as a German. He was loyal to his country during the war and was one of the ninety-three intellectuals who signed the "Manifesto of Hate" against the Allies. After the war, in common with more than forty others, he withdrew his signature. He regards the Versailles treaty as preposterous and asserts that the Emperor is innocent of the charges made against him. Yet he is neither Monarchist, Fascist nor Communist, but a Republican.

Except for a 9,000-hexameter reincarnation of Till Eulenspiegel as an aviator in a post-war Germany and for a few journalistic expressions, Hauptmann has been strangely silent on the war. Whatever expression he has allowed himself has been either sublimated or oblique. During the years of the war he published two poems, an essay on Germany and Shakespeare; a play, *Blood,* of which almost nothing has been heard; *Winter Ballad,* a play derived from a story by Selma Lagerlöf; and *The Heretic of Soana,* a lovely novel drenched in Southern sunlight. His post-war utterances have been no less remote. His latest play, *Before Sunset,* deals with a purely personal problem.

The reason is that, in a sense unlike Romain Rolland, Hauptmann has been "above the battle." He has been more or less preoccupied by personal problems. The reverberations of world-shaking events have reached him but faintly in his mountain home —man of the world though he can be when occasion demands it. Opinions on contemporary phenomena are not offered freely, but have to be extracted from him by interviewers who are themselves more concrete-minded. The knowledge that he is the object of a cult, the subject of scholarship and that hundreds travel distances, as on pilgrimages, to see him, tends to accentuate the inwardness of his gaze. And that may also be explained by the fact that his spirit was in great travail during the impressionable ten years preceding his second marriage, in 1905, after a first unhappy experience. In truth, except for *The Weavers,* most of his dramas —even those set in spacious historical or mythological settings—have consisted in the working out, or in the failure to work out, intensely personal problems.

Today Hauptmann is at work on a book in two volumes, which, when completed, he will call *The Book of Passion,* and which will be to him what *Dichtung und Warheit* was to Goethe. This work he interrupted recently to accept an invitation to come to America in connection with the Goethe centenary. His reception in New York in 1932 must have been a pleasant contrast to the coolness with which New York greeted him in 1894, for the leading universities of the East, in honoring the dead Goethe, gave honor also to the living Hauptmann, Columbia conferring on him the degree of Doctor of Letters.

Hauptmann expands in the odor of honors and celebrations. He lives a good deal of his life as if he were in the public view. As Goethe had his Eckermann to record his casual conversation and observations, so Hauptmann has a recording secretary. At his palatial home in Agnetendorf, in Silesia—where he lives no less richly than do men of wealth in the heart of cities—he dresses for dinner every evening, guests or no guests, and adheres to a rich ceremonial of living. He has a love of honor and ostentation. William Rothenstein, visiting him at his Silesian home, reports the following in the second volume of his *Men and Memories:* "Hauptmann's

views on life were large and generous. Artists, he held, should live proudly, as Dürer and the great German craftsmen had lived, putting on fur-lined gowns and gold chains, as it were, at the end of each day's labor. We had neither fur-lined gowns nor gold chains; but every day we sat down to a table glistening with silver and glass. We drank choice Rhenish and Moselle wines out of great Venetian glasses; huge salmon were handed round, boar's head or saddle of veal, dish following dish."

There is something likably Teutonic in the desire to put the gold chain of honors and degrees around his neck. Goethe was no less Goethe because gold medals were struck in his honor in his lifetime. Hauptmann's chief weakness lies, however, not in the desire for honors but in the production of too many indifferent works—works the quality of which only the Hauptmann cult is expected to affirm. Among the authentic gold coins which he has scattered in the largesse of his genius there are several at least that do not ring true. He has written and allowed to be produced, plays which have justifiably elicited ridicule. Even among the few novels he has given us there are false notes. The partial explanation for this is that he accepts the urgent personal occasion for expression as sufficient to justify publication. Only in the case of his first immature work has he obeyed second thought by withdrawing all available copies.

In the impressive magnitude of his work, in its shimmering variety, in its strength and in its fancy, Gerhart Hauptmann has justified the winning in his lifetime of the adulation which sometimes does not overtake men of genius until after death. Analysis cannot whittle away any of the true greatness of the man, however much it may indicate the exaggeration in the cult of the adulators.

# Current History in Cartoons




But when all the birds are early
*—St. Louis Globe-Democrat*




Speaking of Federal economy
*—New York Herald Tribune*




Just around the corner
*—St. Louis Post-Dispatch*



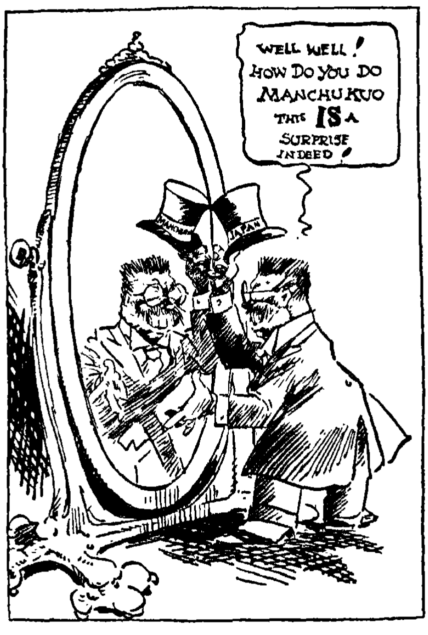

Politics is like that!
—*NEA Service*




The evolution of issues
—*Detroit News*




The Unemployed in Pigmyland
—*London Daily Express*



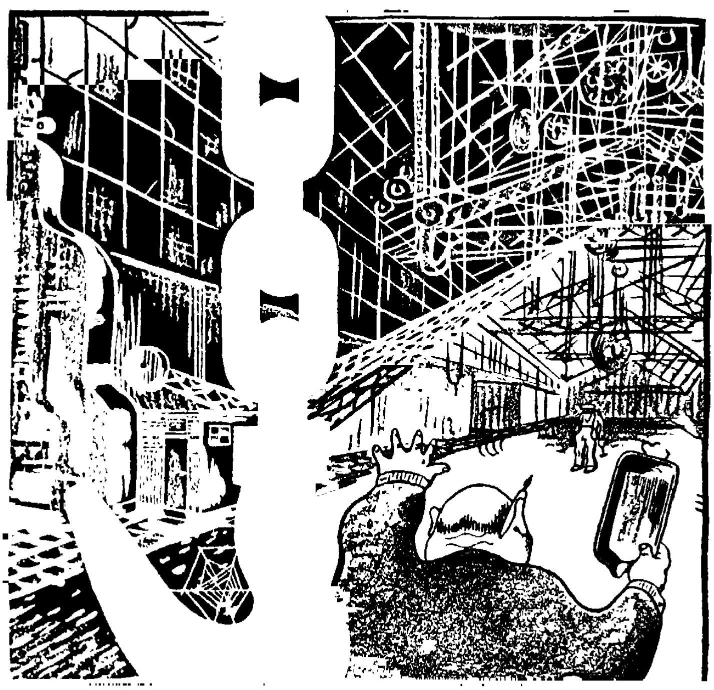

Japan recognizes Manchuria
—*New York Herald Tribune*



Results of the Disarmament Conference: Fritz polishes his war helmet
—*De Groene Amsterdammer*




The difference between East and West
—*London Daily Herald*



"Foreman! Prosperity is coming! Here's a frying pan to repair!"
—*Simplicissimus*, Munich

# A Month's World History

## The Powers Debate Arms Equality

*By* JAMES THAYER GEROULD
*Princeton University; Current History Associate*

THERE is no escape from the fact that the next few months are to witness a test of the machinery of the League, and of international organization generally, that will determine whether we are to live in an ordered world or in a world that has reverted to the chaotic conditions which resulted in the World War. Unless the issue raised by Germany in demanding that the Allied and Associated Powers, which drafted the Treaty of Versailles, shall recognize their obligation to disarm by positive action rather than by pious phrasemaking; unless they accept for themselves, in part at least, a limitation of the weapons of offense proscribed by that treaty; unless its disarmament provisions can be superseded by another convention, Germany, and probably Italy, will withdraw from the League. If they should go, and if Japan should follow them, that most promising international organization will begin to crumble.

Responsible opinion, neither in France nor in Great Britain, is inclined to question the substantial justice of Germany's demand. But to release her from the bonds that were forged at Versailles requires of France decisions that are very hard to make. Today, through her military power and her alliances, she is preeminent in Europe. It is not strange that she hesitates. Politically, it is a very difficult thing for her to consent to seek security through conciliation rather than the sword. Fundamentally conservative, the French fear new paths. Even though they may admit that injustice has been done, and that the status quo in Europe is on insecure foundations, they fear what would happen if those foundations are disturbed.

It is only by keeping these facts in mind that the present position of France can be understood, and her reply to the German aide-mémoire of Aug. 29 interpreted (see CURRENT HISTORY, October, pages 73-76). A very carefully drafted document, it seems to have been orginially intended to make the reply, in some sense, a joint statement of the position of both Great Britain and France, but this was firmly resisted by Downing Street. That there should be no room for doubt about it, the British made public an official statement that "the document was communicated [to them] not for purposes of consultation but of information," and that if there was to be consultation the Italian and Polish Governments should be included. Since Italy had already declared her sympathy with the German demands, and British public opinion very largely supported them, such a conference was not agreeable to France. She was thus obliged to recede from the position which she had taken, and the French reply, after having been approved by the full

Cabinet, was dispatched to Berlin on Sept. 10.

The note opens with the expression of a sincere desire for disarmament. "The government of the French Republic is conscious of having done all it possibly could to enable a regular evolution of the work of the conference." It had permitted postponement of the French thesis of security, and had cut its military budget by an amount approximating the reparations annuity abandoned at Lausanne. If disarmament is to be accomplished, it must come in an orderly way, and step by step. The attitude of the German Government makes this impossible. If Germany will cooperate, France is willing to join in future studies "in a liberal spirit which will permit the establishment of what should be the status of Germany in a general status of a peace under the protection of arbitration control." It is not improbable that the lack of clarity of this sentence was no accident.

Juridically, the note continues, the French Government cannot agree that there is any legal obligation to abrogate Part V of the treaty, and to release Germany from her restrictions. Germany has, nevertheless, an indisputable right to security. "It is that guarantee which must be secured to all nations, small and large, by establishing international control of armaments, by generalizing arbitration, and by securing effective execution of its decisions." It is evident that the demand for changes in military organization, made in the German note, when interpreted in the light of the public statements of the Minister of Defense, imply rearmament rather than disarmament. This right cannot be granted by France, since it concerns not only the League powers but the United States as well. The note closes with the statement that "within the existing engagements it is possible to work with Germany in a search for a new status, which will not be a return to the ancient procedure of preparation for war, but will mark progress in the organization of peace."

The French reply placed the British Government in a very difficult position. Public opinion in Britain is as insistent as in France that no concession shall be made which will result in the rearmament of Germany, but it is, at the same time, fully conscious of the fundamental justice of the German contention. As a matter of policy, the British Government desires, in so far as possible, to align itself with France, for reasons which reach beyond the present controversy.

Until Sept 18 the British Government was silent. Seldom has a state paper relating to foreign affairs provoked more hostility at home than the statement issued on that date. Sir John Simon is a lawyer, and the statement bears evidence throughout of his legalistic mind. Opening with a sharp rebuke to the Germans for precipitating the discussion of this political question at a time when the world is struggling to restore commercial prosperity, he proceeds to elaborate an argument opposed to the view that Germany has a legal right to a revision of her status, although he admits that her government has never claimed any such legal right.

The German note, Simon continues, "is rather an appeal for adjustment based on the fact that the limitation of Germany's armament, contained in the treaty, was intended to be, and announced to be, the precursor of general limitation by others. His Majesty's government does not deny the fact, and does not seek to minimize the force of the contention." The government hopes that the conference may achieve "a really valuable measure of disarmament" which will result "in the case of the more heavily armed powers [in] the largest possible reduction, and, in the case of the lightly armed States, in any case, no material increase." The agreement should be for "a limitation which is

self-imposed and freely entered into." In such an agreement, he argues, there will be "no distinction of status," and the limitations imposed by the various treaties "will, save so far as they are modified by mutual consent, reappear in the voluntary and comprehensive compact about to be negotiated at Geneva."

Although Sir John Simon recognizes that questions of status "involve considerations of national pride and dignity which deeply touch the heart of a people and keep alive resentment which would otherwise die down," he closes the statement with a stern reprimand to the German Government for seeking to attain their desires "by peremptory challenge or by withdrawal from deliberations which are about to be resumed."

Germany was bitterly disappointed at the tone of the British statement, for she had hoped for a more sympathetic attitude. Despite this, the German Government was firmly determined to force the issue by withdrawing its representatives from the Disarmament Conference. Baron von Neurath, on Sept. 14, formally notified Mr. Henderson that, as Germany had failed in her attempt to secure an assurance of equality of right either from the conference or through diplomatic negotiations, the government felt compelled, so long as the question was undetermined, to refuse to take part in the work of the bureau. Mr. Henderson expressed his regret at the German reply.

Shortly before M. Herriot left Paris to attend the meeting of the bureau he had an interview with Ambassador Edge and Senator Reed. Precisely what assurances they gave him is not known, but it may be assumed from the statement made by President Hoover on Sept. 20 that, while the question of equality is purely a European matter, the United States is deeply concerned lest it disrupt the negotiations for disarmament, and is anxious that such concessions shall be made as will allow them to continue.

The delegates of the nineteen nations which comprise the membership of the bureau assembled in Geneva on Sept. 21. M. Herriot, although in the city, attended neither of the sessions during the day and suddenly returned to Paris in the evening. The business transacted was almost purely formal. On the following day Mr. Henderson blocked an attempt by Sir John Simon and M. Paul-Boncour to rule out of discussion "major political problems," or, in other words, the question of political equality. Hugh R. Wilson of the American delegation secured assent to the reference of the Hoover plan to the political rather than to the "expert" delegates. Later, the plan was accepted as the basis for general discussion. Although Baron von Neurath had refused to attend the meeting of the bureau, he was in Geneva for the meeting of the Council and the Assembly, and had interviews with Sir John Simon and, after some hesitation, with Mr. Henderson. After several days of discussion the bureau determined to refer the problem of equality to the general commission, and to call a special meeting of that body on some date in November. It then adjourned until Oct. 10.

Both in France and in Germany public opinion is hardening as a result of irritating statements on both sides. M. Herriot talks darkly about undisclosed evidence of German rearmament, and claims that the Stahlhelm, the Nazi's shock brigades and similar organizations are, in effect, a part of an army which Germany is building "with the intention of striking at the heart, with one decisive thrust, the designated adversary." Military leaders on both sides leave little undone which will cause irritation. The Socialists and moderate opinion generally in both countries are attempting to effect a compromise. In Great Britain there is increasing dissatisfaction with the policy of the Foreign Office with respect

to the Hoover plan and the demands of Germany. France, for various reasons, is anxious to conciliate American opinion, and a way may yet be found by which Germany can be induced to return to the Disarmament Conference.

Elsewhere in this magazine there are discussions of the Sino-Japanese struggle for Manchuria, of the contest between Bolivia and Paraguay over the boundary in the Chaco, and that between Colombia and Peru over the occupation of Leticia. The sessions of the Council and the Assembly of the League were largely devoted to an attempt to limit and to compose them. Mr. de Valera's speech in opening the meeting of the Assembly was an eloquent plea for constructive action which will strengthen the prestige and the power of the League. Unless the Disarmament Conference succeeds, he believes, the League cannot survive. At this moment it is threatened with the withdrawal of Japan, Germany, Italy and Mexico.

*THE STRESA CONFERENCE*

Efforts which failed in a memorable conference on Central and Eastern European economic relief held in London last Spring were renewed on Sept. 5, when eighty delegates, representing fifteen States, assembled at Stresa, on Lake Maggiore. The conference had no treaty-making powers but was, rather, a grand committee of experts charged with reporting to the European Union Commission of the League of Nations. It succeeded, however, in reaching certain conclusions which are to acquire treaty status when approved by the governments concerned. Inability to see alike, especially on the part of Great Britain and France, precipitated grave crises and prevented the discussions from leading to some of the hoped-for decisions.

The report of the economic committee, adopted on Sept. 20, represented a compromise among proposals submitted by France, Italy and Germany, with Great Britain holding aloof. The principal feature was a plan for preferential treatment of exported agricultural products of the Danubian countries, for a period of at least three years, to be financed from a fund of 75,000,000 Swiss francs contributed by the adhering States under an arrangement by which each such State will have its contribution reduced in proportion to the extent to which it has granted preferences to Danubian exporting countries through bilateral treaties. Every effort is to be made to encourage the multiplication of such treaties; also the abolition of import licenses and other trade restrictions; special facilities for the export of European tobacco, better organization of lumber production and trade, the establishment of an international agricultural mortgage bank and of an international bank for short-term agricultural credits. Signature of a general convention covering these matters will be sought whenever the world economic conference meets and is able to come to some kind of general agreement.

The deliberations of the finance committee bore less fruit. The main objective was an agreement to create a special fund to enable Central European States to balance their budgets, stabilize their currencies and pay their foreign debts. The committee was obliged to report, however, its inability to agree on a plan. Financial conditions in the different countries, it was held, are too divergent to permit of any scheme being devised that would apply satisfactorily to all. Foreign creditors, in the committee's judgment, should not receive more favorable treatment than domestic creditors; and it was urged that any State finding itself obliged to ask for a rearrangement of its contractual obligations should negotiate directly, and in good time, with its creditors, who alone are qualified to grant such easement.

# The Presidential Campaign

By E. FRANCIS BROWN

DURING the past weeks discussions of election possibilities and probabilities have filled the pages of the American press, dominated social gatherings and drawn public attention from the continued economic unpleasantness. To most observers September appeared to be a Democratic month. The Republican campaign had not yet got under way and the several speeches by members of the Hoover Cabinet were drowned by the many addresses of the Democratic candidate in his three weeks' tour of the West.

Governor Roosevelt left Albany, N. Y., on Sept. 12 on a trip which carried him to the Pacific Coast and back. To outward appearance he was enthusiastically received wherever he went, but political demonstrations are easily organized and it is not always wise to accept them at their face value. Whether or not the trip was successful in vote-getting, it was difficult to deny when the candidate returned to Albany on Oct. 3 that he had conducted with rare skill a political offensive which left his opponents in a highly nervous state.

Governor Roosevelt's first important address on his tour was delivered on Sept. 14, at Topeka, Kan., where he outlined his program for farm relief. (See article by Bernhard Ostrolenk on pages 129-135 of this issue.) Although his address was attacked in the East as "vague," it was based, as Dr. Ostrolenk makes clear in his article, on a definite plan for the rehabilitation of agriculture; its very vagueness made the speech less open to partisan assault while no less heartening to his farm audience. The following day in an informal speech at Denver, Col., Governor Roosevelt declared that the United States is "about to enter a new period of liberalism" and called upon the voters to support the Democrats as the party of this "new liberalism." Here he sounded the note which was to be heard again and again throughout his trip—that the Democratic party is *the* liberal party, the party which will restore the balance of power between the rich and the poor and bring prosperity to the "forgotten man" as well as to the Wall Street banker.

At Salt Lake City on Sept. 17 Governor Roosevelt outlined a six-point program for the solution of the railroad problem. Conservatives who had been uncertain of the Governor's economic philosophy found this speech to their liking. The policy advocated may be summarized as follows: (1) the government to announce its intention to stand back of the railroads for a specified period provided the roads accept the overhauling, where necessary, of "top-heavy" financial structures, and the development of a national transportation policy; (2) thorough revision of Federal laws affecting receiverships in order to protect the interests of security holders and creditors; (3) regulation by the Interstate Commerce Commission of competing motor carriers; (4) the end of competition, but with safeguards against monopolistic abuses, where traffic is insufficient to support competing lines, and the elimination of non-paying lines where possible; (5) proposed railroad consolidations to be carried out with a clearer definition of the powers of the Interstate Commerce Commission to protect the public interest; (6) regulation of railroad holding companies by the Interstate Commerce Commission. Apparently this program is re-

garded as sound even by members of the Republican Administration, since Secretary Doak declared that Governor Roosevelt had taken his ideas on railroad policy from the Republicans.

After a brief speech at Butte, Mont., on Sept. 19, in which he promised the immediate calling of an international monetary conference for the rehabilitation of silver, Governor Roosevelt tackled at Seattle the following day another of the nation's pressing problems—the tariff. He assailed the Hawley-Smoot tariff as a major cause of the present economic crisis, a tariff which "had the inevitable result of bringing about retaliations by other nations." "I have advocated," he said, "and continue to advocate a tariff policy based in large part upon the simple principle of profitable exchange arrived at through negotiated tariffs with benefit to each nation." But it is far less easy to arouse enthusiasm for tariff reform than for a vigorous regulation of public utilities.

With the memory of the colossal failure of the Insull utilities organization still fresh in the minds of many in his audience, Governor Roosevelt on Sept. 21 discussed at Portland, Ore., the problem of water power and public utilities and outlined a program which he believed to be both fair and wise for their regulation. Once again he confounded his critics by advocating a policy which was acceptable to all but the most conservative. A Democratic Administration, if elected, would advocate publicity on capital issues, contracts and stock ownership of public utilities, regulation and control of holding companies by the Federal Power Commission, regulation and control of the issue of stocks and bonds, establishment of the principle of prudent investment as the basis for rate-making and legislation making it a crime to publish or circulate false or deceptive matter relating to public utilities. Where necessary, the candidate declared, municipal, State and Federal Governments should be permitted to set up "governmentally owned and operated service." Moreover, in conclusion, he said: "Never shall the Federal Government part with its sovereignty and control over its power resources while I am President of the United States."

During the following ten days Governor Roosevelt traveled through California, Arizona, New Mexico and thence through the great farming States to Chicago. In California and Nebraska he appealed for the support of the followers of Senators Hiram Johnson and George W. Norris; he reiterated his stand on prohibition, emphasized again and again the issue of liberalism and pressed the need for tariff revision in order to restore foreign markets for American farm products. At Chicago on Sept. 30 it was estimated that 200,000 persons watched the triumphal progress of the Governor from the Union Station to his hotel. The next night he spoke to Chicagoans and once again made clear his attitude toward the Eighteenth Amendment. Following an appearance at Detroit on Oct. 2 where he pleaded for "social justice," Governor Roosevelt journeyed to Albany, where his 6,900-mile tour ended.

As a result of this campaign manoeuvre Democratic leaders were ready to claim a handsome Roosevelt victory at the polls in November and to insist that normally Republican States would be in the Democratic column this year. Although prophecy is always hazardous, the Democrats were able to point to the astounding political overturn in the Maine elections as justification for their contention. When the citizens of Maine went to the polls on Sept. 13 few observers expected anything except a considerable reduction in the normal Republican majority in the State. But the outcome was quite otherwise. The Democrats not only gained the Governorship of the State by a majority

of approximately 1,500 votes, but won two of Maine's three Congressional seats. As the Maine campaign was fought out on national issues there is little explanation for the Democratic victory in this traditionally Republican stronghold except that the voters were dissatisfied with the present administration at Washington. This political overturn was all the more sensational because Maine has not elected a Democratic Governor in a Presidential year since 1880, and even in that year the circumstances were not such that the Democratic success was clear-cut. The outcome, moreover, was highly important psychologically since the Republicans in particular have fathered the phrase, "As goes Maine, so goes the nation"—a statement which has not always been borne out but which has been used many times to Republican advantage.

To reinforce their pretensions to success the Democrats have been able also to cite the straw votes held by newspapers and periodicals throughout the country. Most of these gave Governor Roosevelt a lead over President Hoover. In Wall Street there was a sentiment that the Democrats would be victorious and betting odds favored the New York Governor. In short, an observer at the end of September had warrant to contend that 1932 would see a wave of protest and discontent sweep away the normal Republican majority in the United States and carry the Democrats to victory.

On the other hand, the Republicans could maintain that their real effort did not begin until President Hoover spoke at Des Moines, Iowa, on Oct. 4. During September the party had been content with numerous speeches by members of the Hoover Cabinet notably Secretary Mills and Secretary Hurley, who attempted to counteract the affect of the Roosevelt tour by following the Governor about the country and answering the assertions which he made in his addresses. As far as the public could see, the Republicans had not anticipated a vigorous campaign until the Democratic victory in Maine brought home the realization that the party faced disaster at the polls. Following President Hoover's declaration that the Maine upset showed a need for "renewed and stronger effort," the party sought greater funds for its campaign chest and urged upon the President that he make an extended speaking tour. To this latter request, President Hoover turned a deaf ear and apparently adhered to his resolution to give only three major addresses before the election. In a letter to the president of the Republican Club of Massachusetts Calvin Coolidge on Sept. 26 demanded a "fighting campaign" and the former President gave further support to the candidacy of Mr. Hoover by a speech in New York City on Oct. 11. A corps of speakers for the party was organized by October and was ready to appeal for support of the administration in all sections of the country. Yet in spite of renewed activity in the Republican camp, the party still manifested outwardly a demoralized and disorganized condition.

New vigor and new hope were injected into the Republicans by the appearance of President Hoover at Des Moines on Oct. 4, when, in an address filled with human appeal, he placed before the citizens of his native State the record of his administration in its battle with the economic crisis and expounded his program for agricultural rehabilitation. He told how at one time during the past year the country seemed about to go off the gold standard, and how the combined efforts of the administration and the nation's bankers evolved measures which prevented such a disaster. At the same time the government was able to bring about a loosening of credit and a restoration of confidence in the Federal Treasury, which had found itself in dire straits as a result of the decline in revenue.

After assailing the attitude of the Democrats in Congress—the measures they proposed, the President maintained, "brought discouragement and delay to recovery"—Mr. Hoover dealt with the question nearest the hearts of his audience. But when he turned at this point to the farm problem he was on unsafe ground. Certainly his statement that "the very basis of safety to American agriculture is the protective tariff on farm products" laid him open to attack. The President then went on to advocate eleven more points which would aid the farmer: (1) Repeal of the price-stabilization provisions of the farm marketing act; (2) diversion of land from unprofitable to profitable use; (3) completion of a vast inland waterway system; (4) relief for recipients of drought, feed and seed loans who at present are unable to repay; (5) a conference of experts to work out a coordinated system of taxation which will lessen the tax burden on the farmer; (6) expansion of credits to make available short-term loans for production necessities; (7) extension of loans through the Reconstruction Finance Corporation which will relieve the farmer from carrying over his stocks; (8) relief of farm-owners from pressing long-term mortgage payments; (9) government participation in all measures likely to further expansion of agricultural markets; (10) the use where possible of payments from foreign debts to secure an expansion of foreign markets for agricultural products; (11) continued efforts to reverse the processes of deflation.

The Republican press of the nation rang with praises of the President's Des Moines speech, but the effect on the Stock Exchange was adverse and his mention of past dangers to the gold standard brought about a new European raid on the dollar. On the return trip to Washington the President was well received wherever his train stopped and he made several brief speeches from the platform of his car. At Fort Wayne, Ind., he spoke at greater length, attacking his opponents for the "deliberate, intolerable falsehoods" which they have spread about his lack of sympathy with the misery of the American people during the years of economic distress.

Probably in most Presidential elections—where there has been any real contest—local politics have clouded the issues and complicated the choice before the voters. The present election is a case in point. In Wisconsin, for example, the La Follette group which has controlled the State for years was defeated at the Republican primaries on Sept. 20 by the regular Republicans. This result, due in part to prevalent dissatisfaction of the voters with all those who hold office, opened the way for a possible Democratic victory in that State in November if the La Follette following should desert the Republican regulars and vote with the Democrats who have long been supporters of the Wisconsin progressives.

In Massachusetts and Connecticut the Democrats have so far been divided into Smith and Roosevelt factions, which may well weaken the party's strength on election day; on the other hand, the Republicans in those States are likewise disunited. In Pennsylvania the normal Republican majority is menaced by the recalcitrancy of Governor Pinchot, the failure of the Reconstruction Finance Corporation adequately to support unemployment relief in the State and the charges pending against the Republican Senator, James J. Davis, of profiting from a lottery run by the Loyal Order of Moose. Moreover, in many Republican States present officeholders are concentrating their efforts on saving their own skins and are ignoring the national campaign, which led a New York columnist to say: "Mr. Hoover on his Western trip will need somebody to introduce him

to a lot of Republican candidates for Governor and United States Senator who remember Mr. Hoover's face but cannot for the life of them recall his name."

Undoubtedly the most complicated local situation is in New York State, where Tammany Hall is divided in its attitude toward the Presidential hopes of Franklin D. Roosevelt and where national, State and New York City politics are amazingly intertwined. Tammany has never been fond of Roosevelt and opposed his nomination at the convention in June. The dislike was not lessened by the Governor's conduct of the hearing on the charges against Mayor James J. Walker of New York City, which was followed by the Mayor's resignation. Although Tammany agreed upon the candidacy of John P. O'Brien for Mayor of the city—Walker was shelved by the city convention—the Hall was badly split in regard to the nomination for Governor of the present Lieutenant Governor, Herbert H. Lehman. Mr. Lehman, who had the support of both Governor Roosevelt and Alfred E. Smith, received the nomination in spite of Tammany's hostility. But here is a factional quarrel which has menaced the Roosevelt candidacy from the beginning and which may have important consequences on Nov. 8.

And in any estimate of the probable outcome of the campaign the various minor political groups must be considered. The Socialist party, in particular, is making a strong appeal for votes and its candidate is carrying his message to many sections of the country. The militant drys may help to upset the election result if the voting is close, as also may the divers other minor parties. (See the article "Political Dissent in 1932" on pages 161-166 of this issue.)

Behind all political manoeuvres and political situations is the fundamental issue of the campaign—economic conditions. The Republicans in one speech after another have asserted that the policies of the Hoover Administration have saved the nation from a disaster worse than that which has occurred and that only by adhering to the program already adopted can the United States be led back to a more normal economic life. The Democrats, on the other hand, have attacked most of the Hoover efforts and plans, maintaining that the Republicans are in part responsible for what has happened and have at no time attempted to rectify the fundamental causes of the crisis, proposing and enacting instead palliatives whose success, undoubtedly questionable, hinges in any case upon quick recovery of the patient.

Both parties can find support in the present economic situation of the country. The nation's financial structure does seem to have overcome many of its difficulties; the decline in bank failures, a decrease of the amount of currency in hoarding, and the apparent stability of the gold standard have given people a new sense of security and tended to end the feeling of panic that has been so widespread. On the other hand, the report of the Reconstruction Finance Corporation for the first seven months of its existence showed that up to Aug. 31 it had advanced $784,214,459 to 4,324 banks and trust companies--small wonder that outwardly the banking situation seems improved. The stock market, which at the end of the Summer had a promising rise, was dull during most of September and showed little prospect of any genuine boom.

Business as a whole has shown only slight recovery. The index of business activity for the week ending Oct. 1 stood at 55.2, compared with 52.2 for the week ending Aug. 20 and 68.5 for the corresponding week in September a year ago. However small, this improvement has engendered new hope throughout the country and has been reflected in the increase of one-half

of 1 per cent in employment in August as compared with July. This rise was the first in two years of steady decline in the number employed. Commodity prices which rose encouragingly during the Summer months have been unable to maintain the improvement; the index fell from 96.3 for the week ending Sept. 6 to 93.1 for the week ending Oct. 4. Although the figures for foreign trade in August showed the first upturn since March, with exports at $107,000,000 and imports at $91,000,000, the total of exports was $54,000,000 less than a year ago, while imports were down about $75,000,000. The indices for activity in steel production, electric power output and automobile manufacture have remained at low figures and have offered little room for encouragement. Business failures for September, however, were the smallest in number and liabilities for any month of the year. In short, for campaign purposes the Republicans can claim legitimately that the panic period of the economic crisis has been overcome, but they are hardly justified in maintaining that any real business recovery has begun. Whichever party is successful at the polls will face the tremendous task of bringing about that recovery.

Meanwhile many problems relating to the economic situation remain unsolved and figure in the campaign. For instance, in spite of the claim that Congress at its last session succeeded in balancing the budget, the Treasury for the first quarter of its fiscal year showed a deficit of $401,947,964 as compared with $388,373,557 a year ago—this in the face of an increase in taxes and a decrease of $144,707,000 in expenditures—and it would have been larger if Treasury advances to the Reconstruction Finance Corporation had been included. The railroads and the building and loan associations present unpleasant aspects on the business landscape. The farm problem and the continued chaos in coal mining are of concern to all connected with government, while the issue of immediate payment of the bonus still threatens the already embattled Treasury.

Although the net operating income of the Class I railroads for August showed a decline of 49.7 per cent as compared with the same month a year ago, this was an improvement over the July figure, which was 79.6 per cent below the net for July, 1931. Another hopeful development is the agreement by the heads of the New York Central, the Pennsylvania, the Baltimore & Ohio, and the Chesapeake & Ohio to accept the plan of the Interstate Commerce Commission for the consolidation of the Eastern railroads into four trunk systems, a scheme which is expected to bring about great operating economies. With the decline in revenue the roads may find it extremely difficult to provide for the $187,000,000 in bonds and $107,000,000 in equipment obligations which mature next year. Perhaps this problem explains the appointment of a semi-private committee, headed by former President Coolidge and composed of leading figures in industry and banking, to study the railroad situation in order to protect the holders of railroad bonds.

The attempt of the railroads to bring about a 20 per cent reduction in the wages of their unionized employes has been obstructed by the refusal of the unions to enter a conference on the question with the railway executives. Moreover, President Hoover has asked the heads of the roads to defer action on the proposed pay cut until the end of the year. This appeal of the President has borne fruit, but the roads are seeking to extend beyond Feb. 1, 1933, the present agreement under which wages have already been reduced 10 per cent.

The condition of building and loan associations which have found themselves hard-pressed for funds is expected to be relieved when the Federal

Home Loan Banks are opened on Oct. 15. In spite of substantial public subscription to the stock of these banks, it was admitted on Sept. 30 that the Treasury would be called upon to provide the $125,000,000 authorized by Congress necessary to meet the $134,-000,000 minimum capitalization of these banks. When finally in operation, the new system is expected to put an end to the present frozen condition of many building and loan associations.

The farm situation shows little change from month to month. The strike of farmers which began in Iowa on Aug. 8 in an attempt to raise the price for farm products continued through September and was reproduced on a small scale in sections of North Dakota and Minnesota. On Sept. 9 a conference of the Governors of South Dakota, Iowa, Minnesota and North Dakota and representatives of the Governors of Oklahoma, Nebraska, Wyoming, Ohio and Wisconsin met at Sioux City, Iowa, to study proposals for farm relief. At the close of their meetings they recommended:

That the tariff system be revised to give equality of protection to agricultural products and to lessen the burden of foreign competition with our farm products, including fats and oils.

That a sound expansion of currency would do justice between debtors and creditors and enhance commodity prices.

That the national agricultural credit system should be reorganized so as to refinance the American farmer at a lower rate of interest.

That the Reconstruction Finance Corporation immediately extend its credit facilities to the American farmer.

That surplus-control legislation should elevate the domestic price level of American products.

Other proposals for farm aid were found in a project whereby the Reconstruction Finance Corporation would facilitate the sale of American grain in foreign markets and the declaration by President Hoover on Sept. 28 of a moratorium on 75 per cent of the government's crop-production loans to wheat farmers until Congress should have an opportunity to pass upon a definite extension.

During most of September representatives of the United Mine Workers and the anthracite operators discussed a proposed wage reduction of 20 to 25 per cent for miners in the hard-coal districts of Pennsylvania. Both sides agreed that "coal is a sick industry," but the unions fought any wage cut, attacking freight rates and heavy taxes as partial causes for the plight of the business. In one of the sessions it was revealed that approximately 50,000 anthracite miners were unemployed. No decision being reached in regard to a wage cut, the question was referred to a board of conciliation.

Meanwhile the strike in the Illinois coal fields (see October CURRENT HISTORY, page 81) continued with rioting, picketing and the use of troops. But with the signing of a new wage agreement between the coal operators and the Progressive Miners' Union—a group formed as a protest against the wage scale adopted in August by the United Mine Workers—the strike was expected to end before long. In September, also, a strike in the bituminous coal area of Southern Ohio which had been in progress since Feb. 1 was ended with a compromise wage agreement negotiated between union officials and mine operators by Governor White.

And finally among the irritating problems of the moment is the demand of the war veterans for immediate payment of the bonus. At the annual convention of the American Legion at Portland, Ore., on Sept. 15 it was voted, in face of the announced disapproval of President Hoover, to urge "the full and immediate payment of the adjusted service certificates." It is conceivable that, if the Legion had not been so hostile to the President as a result of the forced evacuation of the B. E. F. from the capital in July, it might have hearkened to his appeal against the bonus

as it did a year ago. As it was, however, the President was fortunate to escape a vote of censure from the convention. Immediately after the vote of the Legion, newspapers and citizens throughout the country condemned what was characterized as a raid upon the Treasury while anti-bonus groups were formed among ex-service men. Republicans, dismayed by the rise of this issue, attempted to force from Governor Roosevelt a statement of his position on the bonus. While there can be little justification for the bonus, particularly at this time, it must be admitted that in their attempted Treasury raid the veterans are following the best American tradition of forcing the government to give people what they want. Nor is the opposition to the bonus strengthened by the fact that it is led by men who pay heavy taxes for the support of the government and yet are constantly seeking favors for themselves from successive administrations.

While most of these problems can be settled slowly and only over a long period of time, there can be no delay in providing for the millions of Americans who are unemployed and who face the coming Winter without resources. Whatever business upturn there may be, it is now recognized, will be too gradual to relieve unemployment immediately. On Sept. 15 the Welfare and Relief Mobilization Conference was opened at the White House. At that meeting President Hoover declared that the nation's leaders sought to insure that "no man, woman or child shall go hungry during the approaching Winter." Newton D. Baker is chairman of this group which seeks to aid local charitable organizations in the raising of relief funds. In the same field of unemployment relief are the activities of the Red Cross which in many centres is on practically a wartime basis, endeavoring to supply the needy with proper clothing.

Of a different nature is the attempt to spread employment by instituting the five-day week and to make jobs by modernizing old plants or repairing run-down factories. A forty-hour week has the stamp of approval of the Chamber of Commerce of the United States, and several large industries—General Motors, for example—have placed many of their employes on the five-day week without reduction in pay. The "share-the-work" movement under the direction of Walter C. Teagle, president of the Standard Oil Company of New Jersey, hoped to find work for more than 1,000,000 men in the course of its drive for jobs in October. But the theory of "share-the-work" is extremely unsound in an economic sense, however much it may alleviate unemployment for the moment.

The unemployment relief work of the Reconstruction Finance Corporation has been exasperatingly slow in getting under way. Loans to finance self-liquidating projects have been made as follows: $40,000,000 to the Metropolitan Water District of Southern California; $13,000,000 for the Public Belt Bridge of New Orleans; $105,000 to the city of Madison, N. D., for an addition to its light and power plant; $5,784,000 to the Middle Rio Grande Flood Control District; $645,620 to the city of Ogden, Utah, and $50,000 to Prescott, Ariz. Direct loans for relief to States and their subdivisions totaled $35,455,171 up to Sept. 30. To aid unemployment further President Hoover on Sept. 9 ordered the speeding up of public construction by about $200,000,000. The emergency Treasury-Postoffice building program now includes approved projects whose total cost will approximate $653,690,000, but most of these are not yet started.

While all these plans and projects will alleviate distress to a certain extent, they do not touch the root of the unemployment evil, and in spite of agitation and advice by prominent

citizens the nation still seems to hesitate to work out any program which will provide a permanent system for meeting chronic and periodic unemployment.

### THE ISLAND DEPENDENCIES

In the midst of so many domestic difficulties, the American people tend to forget their island dependencies. Governor James R. Beverley, in his first annual report published on Sept. 23, called attention to the serious social and economic plight of Puerto Rico. He maintained that the island's population, which is too large for an agricultural society, is the fundamental problem which largely controls living, health and labor conditions among Puerto Ricans. According to the last census 465.5 persons are to be found in the island to the square mile. Although the island's economic situation is bad and foreign trade during the past year showed a drop of $27,000,000, there was a larger favorable trade balance than for the previous year, and the condition of the government's finances is better than a few years ago.

To complicate conditions in Puerto Rico a hurricane swept through the island on Sept. 27, leaving in its wake 200 killed, more than 1,000 injured and at least $1,000,000 in property damage. As an aftermath of the storm, influenza and malaria threatened to appear in epidemic form. Four years ago another hurricane swept the island and the effect of that storm had not been fully wiped out when this new visitation occurred.

In the Philippines the problem of independence is still to the fore, although the Filipinos seem to be unable to suggest any solution of the economic problems which will arise if independence ever becomes real. During the session of the Legislature in the Summer months, attempts were made to set up restrictions against foreign dumping in the islands as part of general tariff revision which would stimulate home industry. But further than that, economic aspects of independence have not received the consideration they require.

# Mexico Reopens War on Church

By CHARLES W. HACKETT
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In a papal encyclical dated Sept. 30 Pope Pius XI announced a policy of "formal cooperation" with the authorities of Mexico which would not involve the renunciation of the principles which he had enunciated previously or the withdrawal of his past condemnation of the "legal persecution" of Catholics in Mexico. Pope Pius particularly directed his protests at the varied application of laws limiting the number of priests which, in some cases, is only one for each 100,000 persons.

"To approve such an iniquitous law, or to give it spontaneously a true and real cooperation," Pope Pius wrote, "is undoubtedly forbidden and sacrilegious; but absolutely different is the case of him who subjects himself to such an unjust prescription only against his will and protest, and who does all he can to diminish the unhappy effects of the unhappy law."

Pope Pius's plan of cooperation permits the Mexican priests to ask permission from the Mexican Government to exercise their ministry. This conduct, he wrote, "is therefore not much different from that of the man who,

having been despoiled of his possessions, sees himself forced to ask the unjust despoiler to grant him at least the use of his possessions."

With reference to limiting the number of priests in Mexico, Pope Pius charged the Mexican Government with "acting against the spirit in which the *modus vivendi* [of 1929] was concluded." That agreement regulated the operation of the church, but many parts of it, he said, have been violated by imprisonment or expulsion of Bishops, priests and the faithful, and by failure to recall all Bishops from exile. The episcopate and the faithful were urged by the Pontiff to continue protests against the laws limiting the number of priests. Admitting that these efforts may be futile, he said that they will serve to convince the faithful that the Mexican Government "offends liberties of the Church which the Church will never renounce, even in the face of violence of persecutors."

The encyclical aroused bitter resentment and criticism in Mexico. *El Nacional,* the organ of the dominant National Revolutionary party, in a bitter editorial attack upon the encyclical, characterized it as "violent and non-apostolic." It also charged that the encyclical was "one of the many infantile methods" chosen by the Papacy to divert attention from the part which the Mexican authorities believe the high clergy played in the assassination of President-elect Obregón in July, 1928. This surmise, it was declared, appeared to be correct in the light of declarations which were alleged to have been made recently by a Mexican cleric, Padre Jiménez, who has been wanted in connection with the assassination and who was placed under arrest in Mexico City in September.

Provisional President Rodríguez was quick to second these sentiments and to couple with his criticism of the Pope's encyclical a sinister warning to the Catholics of Mexico. His statement, in part, follows:

The present government, founded on revolutionary principles which include the complete spiritual liberation of the masses and the elimination of fanaticism, counts on the full support of all classes and will not tolerate dominion of any outside power.

In answer to the open inciting of the clergy to provoke agitation, I declare that at the slightest manifestation of disorder the government will proceed with the greatest energy to resolve definitely this problem which has cost the nation so much blood and sacrifice.

I fully respect the liberty of worship established by the Constitution, but I cannot tolerate those who do not know how to do honor to their own religion and utilize national property to pursue a campaign hostile to the government. If the insolent and defiant attitude shown in the recent encyclical continues, I am determined that the churches will be converted into schools and shops for the benefit of the proletarian classes of Mexico.

This broadside was followed by the passage of a resolution in the Chamber of Deputies on Oct. 3 calling for the deportation of Mgr. Leopoldo Ruiz y Flores, Apostolic Delegate and Archbishop of the State of Morelia, as an undesirable foreigner. The next morning the Archbishop was unceremoniously placed in an airplane bound for the United States by agents of the Department of the Interior. Although Mgr. Ruiz y Flores was born in Mexico, he was held to be a foreigner because he declared he owed allegiance only to the Pope, the ruler of a foreign State. Before his deportation the Papal Delegate insisted that President Rodríguez had misinterpreted the intent of the encyclical. Instead of inciting disobedience of the religious laws, Mgr. Ruiz y Flores said, it urged the clergy and the people "to tolerate the laws after exhausting all means of protest and to intensify the practice of Christian life by means of Catholic religious instruction." The Pope could not be called a foreign power, "because it is through him that God and Jesus Christ rule over the world." Pacific opposition to laws which were oppressive to religious rights could not be called rebellion, he added. On Oct. 6 the Legislature of the State of Vera Cruz passed a

decree declaring that all priests had lost their rights of citizenship and empowering the Governor to take over all property of the Catholic Church and convert it to other uses.

The Southern Pacific Railroad was returned to its owners on Sept. 25 after having been operated by the Mexican Government for two months because of a strike that had paralyzed traffic. The strike remained unsettled, but the railroad workers received orders from the government to accept the direction of the former management, pending negotiations. Meanwhile, the National Board of Arbitration and Conciliation has appointed a committee of representatives of the workers and owners to settle the dispute under the supervision of the Ministry of Industry, Commerce and Labor.

A decree which indicated a return of Mexico to the gold standard, following its abandonment in July, 1931, was issued by the Treasury Department on Sept. 22. The decree authorizes the Finance Minister to invest in the purchase of Mexican-produced gold the profit obtained from the coinage of silver since May, 1931, utilizing for that purpose the issuance of silver paper notes. The day after this action the value of the peso increased twenty points to 3.33 pesos for an American dollar.

### *NICARAGUAN ELECTIONS*

Preparations for the Nicaraguan Presidential election on Nov. 6 progressed steadily during September. Former President Emiliano Chamorro was nominated on Sept. 5 by the Conservative party for the Vice Presidency on the ticket with former President Adolfo Díaz. The candidates of the Liberal party, Dr. Juan B. Sacasa for President and Dr. Rodolfo Espinosa for Vice President, had been nominated previously. All candidates for the Nicaraguan Senate and House of Representatives registered on Sept. 6 with the National Election Board. Admiral C. H. Woodward, chairman of the United States Election Mission in Nicaragua, notified both parties that the mission would provide equal transportation for the Presidential candidates, making it possible for them to visit distant and almost inaccessible departments in the interest of their campaigns. To assist the American election officials in conducting the registration and the election, more than 500 United States marines were sent to Matagalpa, Rivas, León, Chinandega and other cities. Registration was completed on Oct. 2. Early reports indicated a record vote.

A 25 to 100 per cent general increase in tariff rates was approved by the Nicaraguan Congress on Sept. 3. The increases, which became effective immediately, are to prevent the importation of luxuries and to protect home industries. Revenues derived from them were pledged to guarantee a loan. The foreign commerce of Nicaragua for the first six months of 1932 showed a favorable balance of $1,000,000. Both exports and imports declined 35 per cent as compared with the same period in 1931. The country's foreign trade last year was about the same in volume and value as in 1910.

No relief from rebel opposition was effected by the Nicaraguan National Guard during September. From Aug. 29 to Sept. 24, seventeen engagements occurred, in which at least thirty rebels and one guardsman were killed. No fewer than seven American marine officers commanded National Guard patrols in these battles. Reports that the rebels were approaching dangerously near to the large coffee plantations in the departments of Jinotega and Matagalpa were made by coffee planters of those districts on Sept. 12. Twelve days later it was reported that rebels were burning valuable coffee plantations near Matagalpa.

### *HAITI REJECTS NEW TREATY*

The unanimous rejection by the Haitian National Assembly of a new

treaty between the United States and Haiti was reported on Sept. 21. The new pact, designed to take the place of the treaty of 1915, was signed in Port au Prince on Sept. 3 by United States Minister Munro and Haitian Foreign Minister Planchet. In general it was said by its proponents to provide for the concessions to Haiti that were recommended by the Forbes Commission, appointed by President Hoover early in 1930.

The committee of the National Assembly, whose report was adopted, declared that although the new treaty "pretended to liquidate the treaty of 1915, it is, in fact, only the same treaty reinforced." The report further declared that the new treaty neither conformed with the recommendations of the Forbes Commission nor with those of President Hoover in his December, 1929, message to Congress. In the committee's opinion the outstanding novelty in the new treaty was the change of the name of the United States official known as "financial adviser" to "fiscal representative."

Following the rejection of the treaty, President Vincent, who had repeatedly urged its ratification, declined to accept any responsibility for the action.

### *RENEWED VIOLENCE IN CUBA*

The wave of political assassinations which swept over Cuba during September left behind it a toll of thirteen dead and twenty-four wounded. Included among these victims was Dr. Clemente Vásquez Bello, President of the Senate, who was shot down in Havana on Sept. 27 while riding in his automobile. Dr. Bello was a strong supporter of President Machado and was frequently mentioned as his successor. A few days after Bello's demise —apparently as an act of retaliation— three brothers, Representative Gonsalo Freyre de Andrade, Guillermo Freyre de Andrade, a lawyer, and Leopoldo Freyre de Andrade, an engineer, were assassinated in their home by seven unknown persons. All were well-known oppositionists. The same day saw the wounding of a fourth outstanding oppositionist, Representative Miguel Angel Aguiar, who participated in the abortive rebellion against the Machado régime in August.

Five persons were killed and sixteen wounded in riots between Liberals and Conservatives in the Pinar del Rio Province on Sept. 2 and 3. A school was bombed in Havana on Sept. 5, just before it was to open. The next day Lieutenant Echenique, military supervisor of a Havana suburb, was killed; a Negro chief of police of another district was gravely wounded, and five officers were slightly wounded in the Miramar subdivision while their were examining a bomb they had found. On Sept. 6 the bullet-ridden bodies of two brothers, one of whom was Flórez Pérez, a member of the *Directorio Estudiantil*, which had been active in anti-administration activities, were found on a highway. In a battle between Rural Guards and alleged Communists near Havana on Sept. 10, one person was killed and several were wounded. The same day a bomb which failed to explode was found in the home of Major Arsenio Ortiz of the Cuban Army. A powerful bomb, capable of inflicting wholesale death, was found in the Colon Cemetery, near the spot where Dr. Bello was to have been buried.

Martial law was finally declared in Havana late in September. But despite the disorders, eighty-four political prisoners were freed on Sept. 12 by order of President Machado. The majority of those liberated were university students, some of whom had been in the Isle of Pines Penitentiary without having been brought to trial. Dr. Juan Marinello, a university professor, a number of professional men and ten women were among those freed.

# The Turmoil in South America

*By* HENRY GRATTAN DOYLE
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THE collapse of the Paulista rebellion in Brazil, ending a revolutionary movement that in point of potential military effectiveness as well as of numbers engaged is unique in South American history, shared its place as the most important event of the past month in the realm of domestic affairs in South America with the overthrow of the Dávila régime in Chile. Presidential elections are already announced both in Chile and in Ecuador, and the efforts of the two countries to regain their political equilibrium will be watched with interest.

In the international field the unofficial war between Bolivia and Paraguay over the Chaco seems to have been prosecuted with a vigor and intensity that make one wonder how much greater effort, if any, a formal declaration of war might have called forth. The onset of the rainy season, however, seems likely to put an early stop to major military operations for five or six months and may provide an opportunity for the other American Republics to bring about peace between the combatants. At the same time, the Puerto Leticia border incident involving Peru and Colombia, which at first blush seemed likely to be dismissed by both governments as the act of a few Peruvian hotheads, rapidly assumed alarming proportions because of its repercussions upon nationalistic feelings in both countries. In this case the neutrals were able to act promptly, because of the existence of the machinery for conciliation and arbitration set up under the terms of the conciliation convention signed at the Fifth Pan-American Conference at Santiago de Chile in 1923 and revised at the Inter-American Conference on Conciliation and Arbitration held at Washington in 1928-29. Although the neutrals have been unsuccessfully engaged at intervals since December, 1928, in efforts to end the dispute between Paraguay and Bolivia, the final chapter in those negotiations has not yet been written, and until it is, the question of the extent to which the inter-American conciliation machinery has helped the cause of international peace cannot fairly be answered.

### *BRAZILIAN REVOLT COLLAPSES*

The rebel forces of the State of Sao Paulo on Oct. 3 surrendered to the Federals, ending a well-planned military revolt that began on July 9, 1932. Troops aggregating more than 130,000 men, supported by modern artillery and airplanes, were involved on both sides during a conflict of nearly three months which presented many of the aspects of modern soldiering as exemplified in the World War. Because of the mountainous terrain between the States of Rio de Janeiro and Sao Paulo, the Federal advance was made under great difficulties. The struggle also brought out again the importance of strategic railways, for it was the fall of the important railway centre of Cruzeiro and the impending capture of Campinas that spelled the defeat of the revolutionists.

The war, as previously described here, was staged on three fronts. From the State of Rio de Janeiro Federal forces made painfully slow progress toward Cruzeiro and the neighboring

Mantequeria railway tunnel, controlling the main line connecting Sao Paulo with the States of Rio de Janeiro and Minas Geraes. Further west another force operating from Minas Geraes gradually captured and held a number of branch lines of the Sao Paulo railroad system, thereby impeding the mobility of troop operations on the "inner line," which had given the rebels initial advantage. On the south, a Federal force operating from the State of Parana not only slowed down, but finally stopped completely the projected rebel advance against Rio de Janeiro by compelling the rebels to detach needed troops in order to protect the southern border, thus upsetting the original rebel plan of campaign, which apparently called for an early drive against Rio de Janeiro, and contributing to the success of the Federal arms.

The immediate cause of the rebel surrender, however, was a series of defeats administered during an almost continuous attack all along the line on the Cruzeiro and Minas Geraes fronts, which began early in September. The fall of Cruzeiro on Sept. 13, after an all-night battle, marked the beginning of the end. This was followed by a concerted drive on the Minas Geraes front, in which after nine days of fighting the Federals captured eleven cities in forty-eight hours and closely invested Campinas. In the meantime hopes of aid from other States, especially Minas Geraes and Rio Grande do Sul, had faded. Arturo da Silva Bernardes, President of Brazil from 1922 to 1926 and a leader in Minas Geraes, was captured on Sept. 22, an uprising under his leadership in Minas Geraes early in September having failed dismally. Borges de Madeiro, who led a similar abortive attempt in Rio Grande do Sul, was also captured and imprisoned with Bernardes on Rija Island in the bay of Rio de Janeiro.

Faced with the inevitable, General Bertholdo Klinger, the German-born military leader of the revolt, made overtures for an armistice on Sept. 29. After a temporary resumption of hostilities the surrender took place as described.

The Federal Government has given indications of dealing humanely with the defeated rebels, an amnesty having been granted all but the leaders. Military and civilian rebel prisoners are to be tried by a special commission. Reconstruction of highways and railroads was begun immediately. The Federal Government also was reported to have decided to legitimatize paper money issued by the rebels, issuing bonds against the State of Sao Paulo for the total amount issued, which is reported to be about $14,-500,000. On Oct. 6 Minister of State Afranio de Mello Franco announced to the press that elections would positively be held on May 3, 1933, as previously announced. It was the decision of the Vargas Government against earlier elections that led to the revolt.

### *CHILEAN INSTABILITY*

Provisional President Carlos G. Dávila of Chile announced on Sept. 10 that elections for a new Constitutional Congress would be held on Oct. 30. Three days later the so-called Socialist Republic headed by Dr. Dávila was overthrown by a group of army and naval officers led by General Bartolomé Blanche, commander-in-chief of the army, and Colonel Arturo Merino Benítez, chief of the Chilean air force. It was reported that the Provisional President refused to accede to the militarists' demand that he resign. He finally yielded after Colonel Merino and a group of aviation officers had threatened to bombard the Presidential Palace.

Dávila's government had been in power about three months. He took office after overthrowing the constitutional régime of President Juan Esteban Montero on June 4 last, with the aid of Colonel Marmaduque Grove,

and had been in control ever since except for a brief period following a coup by Colonel Grove, his erstwhile ally. Like President Montero, whom he replaced, Dávila fell a victim to Chile's unhappy economic condition and to the heterogeneity of her political life. No group, whether intellectual, militarist, or proletarian, seems to command enough support to remain in power more than a few weeks or, at most, months. The intellectuals and professional classes have had their opportunity with President Montero, the left wing with President Dávila, and the militarists with General Blanche, who assumed the Provisional Presidency after Dr. Dávila resigned. All have failed to establish themselves.

General Blanche held office only one day when Colonel Merino attempted to displace him, the break between the two paralleling that between Dr. Davila and Colonel Grove last June. Merino resorted to his usual threat to bomb Santiago, but when Blanche sent troops against El Bosque airport, Merino and his followers seized about thirty airplanes and flew northward to the airport at Colina, 20 miles away. When troops approached that haven, they took the air again for Ovalle airport, 210 miles north of Santiago. Apprised by wire of the approach of the air force, authorities at Ovalle field destroyed all gasoline, and Colonel Merino and his aviators, 52 in number, were on Sept. 15 captured by loyal military forces after a few shots from government artillery.

Apparently in control of the government, General Blanche announced that impartial Presidential and Congressional elections would be held on Oct. 30, the date already fixed by Dávila. A state of siege until Oct. 21 was declared, in order to give the government extraordinary powers in dealing with civilian demonstrations against the military régime. When General Pedro Vignola, commander at Antofagasta, in Northern Chile, demanded that a civilian government be set up in Santiago, General Blanche removed him from command of the first army division and sent General Armando Marín Mujica to replace him. The latter was arrested on arrival, but finally allowed to return to Santiago. A civilian junta was set up in the north, which demanded the restoration of civilian government, and protested the return of Colonel Ibáñez, former President, from Argentina. On Oct. 1 demonstrations against the troops in Santiago resulted in a brush in which four civilians were wounded. That night General Blanche turned over the Provisional Presidency to Chief Justice Oyanedel of the Chilean Supreme Court, utilizing the common Latin-American device of appointing him Vice President and then resigning in his favor. The new Provisional President took the oath on Oct. 2, only to be met by demonstrations in favor of Colonel Grove, now a prisoner on Easter Island and a favorite of the radical elements and of Chile's 200,000 unemployed. A fusion Cabinet was completed and took office on Oct. 4, with the expectation of remaining in power until the results of the elections of Oct. 30 were known. Dr. Dávila, who with his family, reached Callao, Peru, en route to New York, announced his intention of settling permanently in the United States.

### *ELECTIONS IN ECUADOR*

Elections in Ecuador were called for Oct. 30 and 31 to fill the vacancy created by the disqualification of Neptali Bonifax, successful Conservative candidate for the Presidency in 1931. Efforts of a military group to form a dictatorship and seize power from the Provisional President, Alberto Guerrero Martínez, led to a vote of censure passed by Congress against Secretary of War Leonardo Sotomayer, who promptly resigned. On Oct. 5 two Socialist members of

the Provisional Cabinet followed his example and resigned.

*WARFARE IN THE CHACO*

On Sept. 9 Paraguayan troops launched a major attack on Fort Boquerón, a Chaco stronghold 225 miles northwest of Asunción, which had been captured from them by the Bolivians on July 31. Twenty days later, after almost daily assaults in which 1,000 are reported to have been killed on both sides, the Paraguayans captured the fort, taking 1,000 prisoners. Bolivian official news sources denied the fall of the fort, but an official of the Bolivian general staff was reported on Oct. 1 to have admitted the evacuation of Fort Boquerón and Fort Toledo. Numbers engaged in the fighting around Fort Boquerón were reported as between 8,000 and 10,000 Paraguayan besiegers and 2,000 Bolivian defenders. From Boquerón the Paraguayans, according to dispatches from Buenos Aires, launched an attack on Fort Arce, headquarters of the Bolivian Central Army, and on Oct. 1 were reported engaged in battle, 8,000 strong, against an equal number of Bolivians. On Oct. 2 the War Ministry at Asunción claimed that Paraguay had reoccupied Fort Pitiantuta, also called Mariscal López, about seventy-five miles south of Boquerón.

While Bolivian and Paraguayan reports seldom agree, it is not unlikely that reports of Paraguayan successes are approximately correct. Fighting in a swampy country, to which many of them are not acclimated, and far removed from their natural bases of supply, it would not be surprising, other things being equal, if the Bolivian forces had found their task a heavy one.

In the meantime neutral efforts to settle the trouble have continued, but without definite results. Joint action for peace by the four neighboring neutral countries—Argentina, Brazil, Chile and Peru—once so promising, does not appear likely to be effective, while Chile is suffering from serious internal troubles and Peru is herself involved in a territorial dispute with Colombia. Argentina, however, has increased her forces along the Pilcomayo River, a new army corps having been created, with headquarters at Formosa.

*THE LETICIA INCIDENT*

First reports of the seizure by Peruvian civilians on Sept. 1 of the Colombian River port of Puerto Leticia, on the Upper Amazon, about 2,500 miles from the Atlantic Ocean, to which it gives access, indicated no tendency on the part of either country to take the matter seriously. When, however, Colombia announced her intention to assert her rights by force if necessary, Peru, responding to popular pressure, manifested a disposition to oppose such use of force, and in a note on Sept. 16 declared that "in order to facilitate a peaceful solution of the Leticia problem, it is necessary that Colombia avoid any measures of force." Colombia's view, on the other hand, apparently is that restoration of her authority in Puerto Leticia, ceded to her by Peru in 1927 under the terms of the boundary treaty of 1922, is a purely domestic matter.

In the meantime the war spirit has flamed in both countries, accompanied, as usual, with enlistment of volunteers, purchase of supplies and armaments, inauguration of patriotic loans and special war taxes, formation of Red Cross units, and the like. Meanwhile the permanent Pan American Conciliation Commission, composed of the Ministers in Washington of Uruguay, Guatemala and Venezuela, forwarded to Colombia Peru's request for a neutral examination of the disagreement.

On Sept. 12 Argentina and Uruguay resumed diplomatic relations, thus ending a breach which had proved an obstacle to joint action in the Chaco dispute.

# The Tariff in British Politics

By J. BARTLET BREBNER
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ONE important idea underlying the agreements concluded at the recent Imperial Economic Conference (see October CURRENT HISTORY, pages 57-62), is closely related to the resignation on Sept. 28 of the free-trade members of the British Cabinet. The bilateral treaties made at Ottawa were not novel in character. They continued a policy which Canada initiated soon after the war in dealing with foreign as well as with British countries and which is now emerging elsewhere in various forms of complementary international exchange, such as barter, importation quotas and so on. These agreements to facilitate the exchange of goods produced more efficiently by one or other of the contracting nations have steadily undermined the older most-favored-nation procedure and bid fair to replace it by serving as a compromise between hoped-for reciprocal free trade and prohibitive tariff barriers.

In order to stimulate trade between the United Kingdom and the separate Dominions it was agreed in principle to extend the average 10 per cent British tariff to foodstuffs and raw materials and, at the same time, to exempt the Dominions from its operation. Three vital provisos accompanied this change: The agreement concerning foodstuffs might be abrogated at the end of three years if it damaged United Kingdom producers or consumers; the tariff on non-ferrous metals might be dropped at any time that the Dominions failed to provide sufficient quantities at world prices; while the United Kingdom retained the right to bargain with foreign countries for mutual reduction of tariffs. The British delegation claimed that they had not raised tariffs and that the British consumer would not have to pay more for food or raw materials. He would merely be offered imperial products before foreign.

Two days after the British Cabinet discussed the Ottawa agreements on Aug. 27, Sir Herbert Samuel, leader of the free-trade Liberals in the National Government, began to consider breaking away, and after many meetings and discussions he resigned on Sept. 28, accompanied by Viscount Snowden, Sir Archibald Sinclair and eight Ministers not of Cabinet rank. Their expressed reasons were that the Ottawa agreements meant that food would be taxed, international trade would be hampered and commercial agreements such as that with the Soviet Union would have to be terminated. At the same time, it was suggested that objection to the Ottawa agreements was a mere pretext for regaining freedom of action and for ending the awkward constitutional difficulty of "agreement to differ" within the Cabinet, at a time when the national crisis was past and coalition was no longer necessary. The Prime Minister gave some weight to this view by declaring vehemently that the crisis was not past.

These contradictory interpretations led to the belief that the real trouble lay in three apparently subordinate aspects of the Ottawa agreements which had been incorporated in yet unrevealed form in the legislative program prepared by the British Cabinet for the opening of Parliament on Oct. 18. First of these was the British promise to set up machinery to

regulate the importation of foreign meat, presumably by quotas; second, was the promise to prevent foreign dumping, presumably Russian; third, was the British promise not to reduce the Ottawa duties during the life of the agreements except by permission of the contracting Dominion. This relinquishment of British Parliamentary control of domestic taxation was denounced as "unconstitutional" by the Samuel group. Viscount Grey, the Marquess of Reading and the Marquess of Crewe approved the resignations, but Lloyd George was completely ignored by his party colleagues.

As a result of these resignations Mr. MacDonald "shuffled" his Cabinet. Stanley Baldwin (Conservative) added the nominal duties of Privy Seal to his Presidency of the Council. Sir John Gilmour (Conservative) succeeded Sir Herbert Samuel at the Home Office and was succeeded as Secretary for Agriculture by Major Walter Elliot (Conservative). Sir Godfrey Collins (National Liberal) succeeded Sir Archibald Sinclair as Secretary for Scotland. In spite of open criticism of Sir John Simon's legalistic and inelastic behavior as Foreign Secretary, he was not displaced. The Cabinet now contains 14 Conservatives, 3 National Laborites and 3 National Liberals. The government's position is still wholly secure, for it is backed by about 465 Conservatives, 35 Liberal followers of Sir John Simon and 13 Labor followers of MacDonald, and opposed by less than 100 Liberals and Laborites. From now on, the Opposition will be much stronger.

By-elections continued to show the declining prestige of the present government. At an election in Twickenham the Conservative majority was reduced from 25,000 in a poll of 53,000 to 4,800 in a poll of 38,000. In Cardiganshire an Opposition Liberal secured as many votes as his Conservative and Labor opponents combined. For the last three months the various sections of the Labor party have been reconsidering their aims and methods, and a movement toward uncompromising socialism has, in general, been the result.

*BRITISH ECONOMIC CONDITIONS*

The cotton strike which involved about 160,000 workers from Aug. 27 to Sept. 28 was settled by an agreement negotiated under the auspices of the Ministry of Labor. Wages were reduced by about 15½ per cent on piece rates and the June strikers were promised reinstatement. Great efforts were made, with some success, to reestablish the machinery for collective bargaining and for the honoring of agreements, so as to end what has been a three-year period of blind conflict. It was admitted also that employers and employed must discuss and agree upon the measures necessary to put the cotton industry upon an internationally competitive basis.

The August trade returns showed no change from the recent steady decrease in exports, imports and adverse balance. Commodity prices declined a little in mid-September, but rose again at the end of the month to stand well above the low points of June and July. The pound declined slowly from about $3.50 to about $3.45. Seasonal purchases of cotton and wheat and investment in the new Canadian loan accounted in part for the decline, but for the first time the Bank of England and the Treasury were reported to have come to the support of sterling. In spite of gold exports to New York, the Bank added to its reserve. With the completion of 92 per cent of the war loan conversion, the government raised the restrictions on new domestic issues of capital as from Oct. 1, and immediate advantage was taken of this by the great Lever industrial group. The flotation of trustee securities, however, was to be preceded

by discussion with the Bank of England.

Late September and early October were marked by riots and demonstrations of the unemployed. Liverpool and Manchester on Sept. 22, London on Sept. 27 and Oct. 4, and North Shields, Westham, Birkenhead, Croydon and Birmingham in early October were the scenes of disturbances which Scotland Yard attributed to systematic Communist agitation. Within the orthodox labor organizations there has been bitter criticism of the investigation of an individual's savings or other resources, which is made before those whose unemployment insurance has run out are granted transitional relief. This precaution, revived by the Conservatives, runs directly counter to Labor's demand for "work or maintenance" without further examination.

### *ANGLO-IRISH NEGOTIATIONS*

The burdens involved in the Anglo-Irish tariff war and in President de Valera's resolute policy of economic self-sufficiency for the Irish Free State have proved severe. New markets for Irish goods have not been found and old habits of using English products have been hard to break. Welsh coal exporters, for instance, have been handling, and earning the profits on, exports to Ireland of German and Polish coal. The Free State has suffered heavily, but with remarkable fortitude. Because the Dail has not been in session, the criticisms of de Valera's opponents have been less continuous, but the Irish farmer has ventured to voice his complaints. The President's idealism has been rudely tested, for building is more easily criticized than ingenious rebellion and the abrupt change in the national economic pattern has dislodged men from their old security.

On Sept. 13 the Dominions Office announced the receipt of a letter from de Valera in which he suggested—pending arbitration—depositing the disputed annuities payments in the Bank for International Settlements. He still insisted, however, that the arbitral tribunal be not confined to citizens of the British Commonwealth. The mere overture was held to be hopeful, although the British stand for an empire tribunal was reaffirmed. On his way through London to Geneva, President de Valera had only a courtesy meeting with a Dominions Office emissary.

Meanwhile, a number of meetings of farmers and taxpayers had passed resolutions against government policies. The Labor party, upon whose votes de Valera depends for power, also met and, while its resolution approved the general character of his policy, it demanded immediate attention to methods for meeting the hardships of the moment. A number of export bounties on natural products were proposed, but these would merely be equivalent to payment of the English duties by the Irish Government. On Sept. 22 ex-President Cosgrave, leader of the Opposition, responded to a veiled threat of arrest in de Valera's *Irish Press* with outspoken defiance and renewed his charges that de Valera was destroying the Irish economy.

A sudden change came on Oct. 4, when President de Valera and Attorney General Maguire stopped in London on their way home from Geneva and asked for a conference with British Ministers on ways of ending the annuities dispute. It was believed that Anglo-Irish conversations at Ottawa and Geneva had paved the way for this move. Thé conference took place on Oct. 5 and it was agreed to enter upon direct negotiations in London on Oct. 14, thus conforming to the British Government's original contention as to the proper procedure for discussion of a former bilateral agreement. It was understood that the negotiations would be devoted to under-

lying principles rather than to the amount of the annuities, that is, some effort would be made to agree upon the nature of the political relation between the Irish Free State and the United Kingdom. British tariff reprisals and the refusal to conclude a trade treaty at Ottawa had made it imperative for the Free State to seek an agreement.

President de Valera has concluded his long campaign to ignore Governor General James McNeill by advising the King to accept his resignation. This was done on Oct. 3 without any provision being made for a successor. A Dominion Governor General must, as the King's representative, act only on the advice of his Dominion Ministers. De Valera had chosen to regard McNeill—a former Sinn Feiner—as the symbol of hated English tyranny and his Ministers had publicly insulted him. Faced by this intolerable personal situation, the Governor General had acted on his own initiative in July. (See September CURRENT HISTORY, page 731.) De Valera was therefore technically correct, as well as constitutionally empowered, in demanding his resignation. De Valera's purpose is to get rid of the office and vest the formal as well as the actual executive power in himself as President of the Council, but there are obvious obstacles of a legal and constitutional character, as well as foreign experience of that procedure, to deter him. It was reported that until a new arrangement could be made three High Court judges would perform the formal functions of the Governor General.

### *CANADIAN WHEAT MOVEMENTS*

During September there was an almost unparalleled export business in Canadian wheat. For the eight weeks ending Sept. 26 the exports amounted to 31,500,000 bushels as compared with 19,600,000 for the same period of 1931. During the week ending Oct. 1 Canada's share of North American exports was 85 per cent and of the world movement over half. Until about Oct. 6 the United States prices for wheat were out of line with world prices, but the Canadian traders showed every willingness to sell at whatever price they could get. The political battle which has been going on in the Chicago wheat market has been accompanied by large American sales in Winnipeg to cover buying in Chicago. The world's visible supply is about 80 per cent above the 1921-1930 normal. Canada had 199,000,000 bushels visible on Oct. 1 as compared with 127,000,000 bushels on the same date in 1931. As a result prices fell to very low figures. On Oct. 6 the Winnipeg price for December futures was 51 cents. Exchange differences made the corresponding Chicago figure of 50⅝ cents fractionally higher.

Somewhat similar conditions existed in the overexpanded paper industry. On Sept. 14 Price Brothers cut the price of newsprint from $53 to $47.50 a ton. A week later the International Paper Company responded with a cut to $46—a figure which Price Brothers were contracted to meet. This action automatically began the process of eliminating the least efficient producers in the industry which is Canada's largest after agriculture. The industrial field also produced an odd contradiction of Canada's embargoes on Russian products and of her anti-Russian attitude at Ottawa, when the Aluminium Company of Canada announced that it had arranged to barter about $1,000,000 worth of aluminum wire for Russian crude oil to be refined in Montreal.

Although the Anglo-Canadian Ottawa agreement did not come into force until Oct. 13, the trend of Canadian trade away from the United States to Great Britain had already been becoming more marked every month. In August, for instance, the total volume of exports was 85 per

cent as compared with 1931, but exports to the United Kingdom were 117 per cent and to the United States 57 per cent. The total volume of imports was 77 per cent of the 1931 figure, but the proportion from the United Kingdom was 86 per cent and from the United States 76 per cent. The total balance of trade continued to be favorable by over $5,000,000.

The exchange value of the dollar was firm at about 91 cents in New York, although only $3,500,000 instead of the average $5,500,000 a month in gold was exported. This appeared to reflect the seasonal movement of commodities and also to bear a direct relation to the steady, slow decline of the pound sterling. Two Provinces, New Brunswick and Manitoba, had internal loans oversubscribed. The Dominion sold $60,000,000 in 4 per cent one-year notes in New York to retire $53,000,000 of 5½ per cent maturities and to meet all its requirements for payment of principal until Oct. 1, 1933.

The Royal Commission on Canadian Transportation has reported to the Prime Minister, who has promised to introduce at once legislation embracing most of its recommendations. It urged that the publicly owned Canadian National Railways and the privately owned but financially embarrassed Canadian Pacific Railway should retain their identities, but be compelled to eliminate competition and duplication of services. The public railways are to be freed as much as possible from political influence and community pressure by being placed under the direction of three trustees appointed for a seven-year term. In order to achieve all possible economies, the commission submitted an unrevealed scheme to regularize the railroad's capital structure, which is a bloated heritage from a group of bankrupt railways and far out of line with the value of the system or its earning capacity. An arbitral board of three, one from each system, under the chairmanship of the Dominion Railway Commissioner, was recommended to bring about cooperation between the systems, to protect each from the other and to settle disputes. The whole scheme, of course, is only worth the support it can win from the government of the day. The Canadian National Railways cannot be taken out of politics so long as Parliament must meet the annual deficits and the Railway Commissioner is a political appointee.

### *AUSTRALIA AND THE OTTAWA AGREEMENT*

During September J. A. Lyons, the Australian Prime Minister, has been acquainting the Commonwealth Parliament and the electorate with the consequences which are involved in his platform of financial reconstruction and in the Ottawa treaty with the United Kingdom. His budget revealed a surplus of £1,300,000 for 1931-1932, but to avoid a deficit for 1932-1933 in the light of Ottawa promises of tariff reduction he must depend upon continuation of the British moratorium on war debts and upon reduced expenditure. Rather than increase taxation, he proposed to reduce, in addition to other things, civil service salaries and old-age and invalid pensions. It was shown that one person in three in Australia was a beneficiary of State or Federal government. All the prohibitive tariff rates and other restrictive import devices would be abolished and many of the bounty arrangements discontinued. Legislation embodying the tariff concessions to Great Britain was prepared. Notice was also given that henceforth tariff changes would be made only through the Tariff Board.

These contemplated fulfilments of pledges aroused many protests. The pensioners objected to reductions even in the face of lowered costs of living. Manufacturers felt that pri-

mary industries might be favored, but that most of the secondary industries would go down before British and British colonial competition. Various kinds of pressure, such as the dramatic dismissal of employes, were exerted without any apparent effect on the Prime Minister. On Oct. 5, however, after ten days of negotiation, he had to accept the resignation from the Cabinet of his old friend and colleague, J. E. Fenton, who could not support the Ottawa agreement on tariff reduction. E. W. Hawker had also resigned from the Cabinet on Sept. 22, but his reason was that his election pledges demanded more than the 25 per cent reduction which has already taken place in Parliamentary salaries.

Australia was greatly encouraged on Oct. 4 when a £12,360,000 conversion loan was taken up in London in half an hour. It was to replace a New South Wales maturity of Nov. 1, which had borne 5¾ per cent. The new 3½ per cent five-year loan sold at a price to yield 4.05 per cent. On the strength of this success plans were laid for a large conversion operation to reduce other debts from approximately 5 to 3½ per cent.

### *GANDHI AND THE BRITISH COMMUNAL AWARD*

The clash of Indian sectional criticisms of the British communal award was gradually dying away in early September when, on Sept. 12, Mahatma Gandhi made public his correspondence with the British Government concerning the 60,000,000 Untouchables. He believed that the British scheme of separate electorates for high-caste and untouchable Hindus would perpetuate a degrading distinction to whose elimination he had already pledged his life. Prime Minister MacDonald pointed out that by giving the Untouchables a double vote the British scheme had been designed to break down that distinction and at the same time to afford protection. Repeating his earlier declaration that the British scheme could be altered only to accept a communal scheme upon which the Indian communities themselves could agree, Gandhi decided to begin on Sept. 20 "a fast to death."

His purpose was, first, to reiterate to the British his determination to end caste discrimination against the Untouchables, and, second, the even more difficult task of educating his Hindu co-religionists in the shamefulness of their stand. In addition, he was making a dramatic bid for acceptance by the Untouchables as their spokesman, because during the last year B. M. Ambedkar has been able to earn and hold that right through Hindu disregard for the Untouchables' plight. Gandhi gambled his feeble frame chiefly against the obduracy and self-importance of the high-caste Hindus. If he should win, he would regain a good deal of what he lost at and after the London conference.

The same moderates who have worked so faithfully to liquidate differences between Great Britain and India at once turned their talents toward uniting the Hindus on a program acceptable to the Untouchables, morally binding on the Brahmins and impressive in its solidarity to the British. While Gandhi lay on a cot in the yard of Yeravda jail in Poona, sipping water and soda and visibly growing weaker, agitated negotiations went on through intermediaries between Ambedkar and the Hindus upon whom his shadow must not fall. Meanwhile the British Government prepared all its machinery in order that, if agreement should be reached, British approval could be indicated speedily so as to shorten Gandhi's self-imposed ordeal.

The tension heightened daily from Sept. 12 to Sept. 26. Ambedkar fortunately did not reply with a counter-

fast, for both he and Gandhi were facing the Brahmins. He at first said: "This threat by Gandhi is not a moral fight, but only a political move. * * * I shall never be moved by these methods." Gradually, however, he and the Brahmins were led to see that guilt for Gandhi's death would rest on the whole Hindu community and, once that point was reached, a settlement was hammered out in five days. The Untouchables surrendered their right to separate electorates in return for 148 seats in the Provincial Legislatures, that is, twice as many as under the British award, and for the promise of a definite percentage of seats in the Central Legislature. More important, however, were the specific promises to give them a fair share of offices in the public service and to finance their education and amelioration. On Sept. 24, 1932, Gandhi won the first formal victory over the caste system since its inception over 2,000 years ago. The British Government only took time to make certain that the settlement did not disturb the minority settlements for Moslems and Sikhs before cabling on Sept. 26 its assent "with great satisfaction."

The total results of this dramatic incident cannot be estimated. In their excitement some Hindu leaders pledged themselves to stamp out untouchability in all its forms and advocated opening to the Untouchables Hindu temples hitherto closed to them. On the other hand, irreconcilable Brahmins declared that Gandhi had become a Christian by his belief in vicarious suffering and bitterly criticized his political and religious concessions. The large body of Indian opinion appeared to welcome the settlement. Although details are lacking, Gandhi seems at once to have set about exploiting his renewed prestige by starting a new campaign for an Indian reconciliation of the larger communal problems—Hindu, Moslem, Sikh and so on—to take the place of the British award. It would be immensely easier to initiate Indian self-government if the Indian communities themselves agreed on the distribution of legislative representation. They have tried to do this before and have failed. Early in October, it was known that new negotiations to that end had begun. The British Government has pledged itself to withdraw its award if the communities agree on a substitute.

# France Lightens Her Debt Burden

By OTHON G. GUERLAC

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THE outstanding event of September in France was the large-scale conversion loan which the Herriot government carried through Parliament as a first step in the rehabilitation of French finances. Although not as large as the British conversion loan, it by far exceeded any operation of the kind ever undertaken in France, involving a total amount of about $3,400,000,000.

This conversion consisted in combining all 5, 6 and 7 per cent government bonds issued in 1915, 1916, 1920, 1927 and 1928 into a single 4½ per cent loan, which is tax exempt and amortizable in seventy-five years. Those who wished to have their *rentes* redeemed at par were allowed six days in which to present their claims. Small bondholders over 60 years of age, to whom this reduction in income

is a special hardship, were given the opportunity to exchange their bonds for life annuities bearing a higher rate of interest.

In order to carry out this important and delicate financial operation Parliament had to be convened in extraordinary session in the midst of the Summer recess. The session lasted only two days, Sept. 16 and 17, during which the Chamber passed the bill by 525 votes to 46, while the Senate approved it by 275 to 8. The spirit shown in both chambers was almost one of "sacred union," and with the exception of the Communists and a few members of the Right, every one regarded the passage of the measure as an imperative patriotic duty. Though M. Marin, leader of the Conservative group, spoke and voted against it, Vincent Auriol, the financial expert of the Socialist party, and P. E. Flandin, the former Minister of Finance in the Tardieu Cabinet, supported it vigorously. M. Herriot could even have dispensed with the 128 Socialist votes, which at one time seemed to waver on the issue of the commission to be allowed to the banks, since the Left and Centre parties were united behind him. But the practical unanimity of the Parliament had a good moral effect.

Every one, both in the Chamber and in the Senate, shed a few tears over the fate of the French *rentier* who had already lost 80 per cent of his capital and income through the devaluation and stabilization of the franc, and who was now to submit to a further sacrifice. But the Minister of Finance, M. Germain-Martin, who bore the brunt of the battle with great skill, pointed out that in addition to the special treatment granted the aged *rentiers,* all would benefit by the release of French capital which had remained unused on account of the prohibitive bank rate (he estimated the money lying idle in the banks at $3,750,000,000) by the revival of business, the expansion of credit and the soundness of the currency.

It soon appeared that the conversion had been a success. On Oct. 4, M. Germain-Martin reported that $3,240,000,000 out of the total of $3,400,000,000 had been ordered converted into the new issue. Requests for redemption reached a total of $180,000,000, but, as new capital was subscribed to the 4½ per cent issue to the amount of $117,000,000, only $63,000,000 was needed for that purpose.

Premier Herriot, who had spoken in both chambers to stress the political necessity of the conversion as well as its economic advantages, hailed it as an immense success as early as Sept. 25. Besides referring to the formidable mass of hoarded wealth which the government was determined to bring forth into honest and guaranteed forms of productivity, he announced that other classes besides the bondholders would be associated in the national sacrifice. This means that the officeholders whom several speakers in the Chamber and Senate had singled out as deserving of a share in this "great penance," as Caillaux once called it, may find something of interest to them in the budget that will be presented in November. The conversion loan is not expected to save more than $40,000,000, while the deficit is variously estimated to be from $320,000,000 to $400,000,000. The conversion thus represents at best only a minor economy which will have to be followed by more drastic ones.

Meanwhile the government has announced that a new loan will be issued to finance an extensive public-works scheme for reducing unemployment. The success of the conversion bears witness to the confidence of bondholders in the stability of the State and seems to justify this fresh call for credit.

The statistics on imports and exports and on tax receipts continue to show that these steadily decline. French customs officials have calculated that imports for the first eight months of 1932 were 33½ per

cent below those of the same period in 1931, while exports fell 38 per cent. Income-tax receipts were $2,838,000 below those in August, 1931, and 10.3 per cent below the budgetary estimates. The figures for the first five months of the fiscal year are 8.5 per cent below the estimates, which gives point to the warnings heard on all sides about the difficulty which Parliament will find in balancing the next budget. M. Caillaux placed the year's probable deficit at $391,750,000.

A bright side of the situation for American business is the liberal increase in import quotas, varying from 10 to 30 per cent, which were granted to American trade on Oct. 1. The articles affected are radio tubes, electric motors, patent leather and pneumatic tools.

### *HERRIOT'S ARMS POLICY*

Next to the problem of financial rehabilitation and of economic recovery, no subject has received more attention in the press or given more concern to the French Government than the attitude of Germany under the von Papen-von Schleicher government. M. Herriot has been urged to respond to all German invitations, solicitations or demands with a final and uncompromising "No." Many newspapers have not even troubled to discuss the theoretical merits of the German contentions on the right to equality in armaments. The mere fact that one of the essential safeguards of the Versailles Treaty is menaced is enough to strengthen ever-present fears and suspicions.

On Sept. 11 there was unveiled near Meaux the monument of the Marne designed by Frederick MacMonnies and offered to France in the name of 4,000,000 Americans. It was intended to represent America's acknowledgment of France's historic gift of the Statue of Liberty. The unveiling was timed to coincide with the celebration of the Battle of the Marne. After several addresses, including that of Ambassador Walter E. Edge, Premier Herriot spoke. His oration took the form of a tribute not only to the American soldiers who gave their lives to defend freedom and peace, the two principles which are the foundation of "every liberal civilization," but also to the recent contributions of American statesmen to the same cause. He stressed again the pacific intentions of the French people and their horror of "that stupid barbarism called war." Nevertheless, he reminded his audience that "it is not enough to wish for peace to obtain it" and that the lessons of the recent past show that war may come to those who have done least to provoke it.

On the following day, Sept. 12, the French reply to the German note of Aug. 29 on the equality in armaments was handed to the German Government, and it now seemed as if M. Herriot had dropped his romantic pen to borrow the more prosaic one of the diplomats of the Quai d'Orsay. The more constructive suggestions on the necessity of aiming at "a general and regulated disarmament," and the pious hope that the two nations might become reconciled and "collaborate for the benefit of all," were welcomed by the press of the Left but derided by writers like Pierre Bernus of the *Journal des Débats*. Even the British note of Sept. 18, supporting with unexpected cogency and sharpness the French thesis, while a pleasant surprise, did not satisfy all the critics.

M. Herriot finally felt constrained to stress a little more strongly some of the main points of the French position. Addressing a gathering of Republicans in the little town of Gramat, not far from where Briand spoke a few months before his death, he went over the whole subject. He openly hinted that Germany is less concerned with disarming than with rearming. Proof that Germany was rearming, he added, was "overabundant." After referring to various German organi-

zations for military preparedness, and reiterating the positive stand of France—namely, security based on international force through military and economic sanctions, in case arbitration should fail—he continued: "With this community in peace once established, the solution of the problem introduced by Germany would not be difficult. What good are useless quarrels? A statute of peace must be set up which would unite all the nations of Europe under the same régime of security which, it should be understood, would also guarantee complete security to Germany." Thus it can be seen that M. Herriot, while unwilling to disarm France before a neighbor whose intentions seem still doubtful, refuses to be content with the policy of force and continues his efforts toward a peace that will rest on a durable and solid foundation.

*BELGIAN EMERGENCY LOAN*

Belgium, like France, found it necessary to call a special session of Parliament during the recess and for a similar reason—to act on emergency measures made necessary by the financial situation. On Sept. 7 the Chamber voted by 98 votes to 57, with one abstention, a bill authorizing the government to issue a long-term loan of $42,000,000 in the country or abroad. The bill also authorized the government to issue Treasury bonds for $1,400,000 and to renew the $1,000,000 of Treasury bonds maturing Oct. 1. The Chamber further authorized the government to place abroad a loan to provide equipment for the State telegraph and telephone service. The Socialists, led by M. Vandervelde, voted against the bill. M. Vandervelde declared that the bill was not a remedy for the financial difficulties of the country and urged that the electorate be consulted.

The coal strike, which had lasted sixty-two days, was ended by an agreement reached on Sept. 7 between the delegates of the owners and those of the workers. Wages were to be increased by 1 per cent as of Oct. 1, but this increase is to remain in operation only until Nov. 1. The employers undertook to consider a revision of the lower wages as soon as they know what advantages they will derive from the new convention which is being negotiated with the German mine owners to supplement or replace the Belgo-German treaty of 1925, which has proved detrimental to their interests.

# The German Dictatorship

By SIDNEY B. FAY

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THE German Reichstag elected on July 31 met on Sept. 12 in a momentous but very brief session. Chancellor von Papen had planned to present his program of economic reform, but with the intention, if the opposition parties should try to oust him from power, to use the authority given him by President von Hindenburg to dissolve the Reichstag and to govern by emergency decrees. Such was the plan, but the actual course of events was unexpected and somewhat different.

Before the Chancellor could get on his feet after the session was called to order, Ernst Torgler, Communist leader, stepped to the rostrum and was recognized by the National Socialist President, Hermann Goering.

Torgler read a resolution providing that, before other business, the Communist motions revoking the Chancellor's economic decrees and declaring lack of confidence in the von Papen Cabinet should be voted on. Paul Loebe, Social Democratic leader, remarked that Torgler's resolution appeared to be out of order; a better procedure would be to hear the Chancellor's speech, debate it, and then vote on the Communist resolution of no confidence. Dr. William Frick, the floor leader of the Nazis, suggested a half-hour recess to enable parties to consult on their attitude toward the Communist move, which evidently had taken everybody by surprise. This was unanimously adopted.

During the recess the Nazis, presumably under Hitler's direction, decided to vote for the motion and upset the Cabinet at once without giving the Chancellor an opportunity to speak. Accordingly, when the Reichstag reconvened, Herr Goering proceeded to put the Communist motion to a vote. Meanwhile, however, the Chancellor had stepped forward to the President's desk and laid upon it President von Hindenburg's decree dissolving the Legislature. Goering took no notice of it. He brushed it aside and allowed the Reichstag to proceed with the no-confidence vote, which was passed with the overwhelming majority of 513 to 32 against the Cabinet.

These events gave rise to a legal dispute. The Chancellor appealed to Paragraph 4 of Section 33 of the German Constitution, which provides: "At their demand the representatives of the government must be heard during discussions; representatives of the Cabinet must be heard even outside the regular order." He held that he had desired to read the order of dissolution and should have been heard; that the order really dissolved the Reichstag, and that the vote of no confidence was therefore illegal, since it had been taken by a body which had passed out of existence. Herr Goering, however, pointed to the next paragraph, which says that the representatives of the government "are subject to the ruling of the chairman." He declared that he had already started with the voting when von Papen presented his decree of dissolution, and that he could not interrupt the voting; that the decree of dissolution, being countersigned by a Chancellor against whom a no-confidence motion had already been passed, was therefore itself null and void.

The Opposition parties, which were in the great majority, wanted the Reichstag to meet next day and to invite President von Hindenburg to select a new Cabinet. Whatever the legal merits of this dispute may be, the essential determining factors were that President von Hindenburg supported the Cabinet, and the Cabinet had effective control of the army and police. With this support they refused to allow the Reichstag to meet again. Still adhering to constitutional forms and to the theory that Germany is a parliamentary government, the Chancellor anounced that elections for a new Reichstag would be held on Nov. 6.

The November election will be the fifth general election this year. There was the indecisive Presidential election of March 13, followed by the second balloting on April 10, when President von Hindenburg was elected for a second seven-year term; the Reichstag election of July 31 produced the body that disappeared on Sept. 12 after sessions which lasted in all only about six hours. And there was the election in Prussia on April 24 and in several other States at about the same time, which virtually amounted to a general election in the whole country. In all these the Hitlerites continued to make sensational gains.

There is no doubt that the Hitlerite party has an extraordinary strength in Germany which is not often fully appreciated abroad. Hitler himself has shown a marvelous capacity for

arousing enthusiasm among widely different social classes, and especially among the youth of Germany. He has been a good organizer. He has known how to appeal to the German love of uniforms and marching by organizing his "Brown Shirts" and "Storm Detachments." He has promised all sorts of things. He has been enormously helped by the general discontent resulting from the economic depression and even more by the hard terms of the Treaty of Versailles in the matter of reparations, the Polish Corridor, colonies and other territories, and the military and naval inferiority imposed on Germany by the treaty. But in spite of all this there seems to be a fairly general opinion in Germany, at least outside his own ranks, that the Hitler movement has reached its culmination. There are several reasons for this opinion.

It is difficult to maintain the fervor of an organization as large and as varied as the National Socialists, even with consummate skill in the art of mass appeal aided by the semi-military panoply that Germans love so much. It is still more difficult when the goal, the immediate attainment of which has been so definitely and so freely promised by the leader, persists in being always just beyond the horizon. He has continually held out the hope that he and his followers were about to assume power and sweep away "the system" of the Centrist-Social Democratic parties, which accepted the humiliating terms of the Versailles treaty and which, as he alleges, have been responsible for Germany's ills since 1919. But he has never succeeded.

The Hitlerites are likely to have less campaign funds in the coming election than hitherto. The industrialists, who in the past contributed freely to Hitler's movement as an excellent weapon to curb the power of the trade unions and the Socialists, need him no longer. The von Papen Government, in its general program for the reanimation of business, has given the industrialists more than Hitler could, even if he were in power. So in these hard times why should they continue to finance his crusade?

The discontented middle class, and especially the youth of Germany, who wanted an aggressive and intensely nationalist movement to free Germany from the oppressive and humiliating clauses of the Versailles treaty, find that the von Papen Cabinet has been active in this very direction. It has stolen Hitler's thunder. By the Lausanne settlement last June it got rid, for the present, of reparations payments. By vigorous statements from General von Schleicher, "the strong man" in the Cabinet, that Germany must have equality of treatment in the matter of armaments, and by Germany's formal withdrawal from the Disarmament Conference until such equality is conceded, von Papen is virtually aiming to cancel the whole section in the Versailles treaty which prevents Germany from having an army suited to her needs.

On Sept. 14 the Cabinet gave orders for the shipyard at Wilhelmshaven to start construction on Germany's third "pocket battleship." The first instalment of money for this construction was appropriated by the Reichstag under Chancellor Bruening, but owing to budgetary difficulties no actual work was begun until von Papen's recent order. This 10,000-ton battleship is permitted under the treaty; but inasmuch as its two sister ships are believed to have a great deal more power than any of the 10,000-ton ships of the other powers, it has caused both misgiving and fear outside Germany, and within Germany a corresponding feeling of pride and self-satisfaction.

President von Hindenburg's proclamation on Sept. 14 authorizing the founding of "a national institution for the physical training of youth" and the appropriation of an initial sum of about $360,000 for the purpose may

be regarded as still another leaf taken out of Hitler's book. Though this physical training is to consist mainly of hikes over the countryside with heavy knapsacks and without any kind of weapons, the enrolled youth will be fed during the three weeks' training at government expense and will wear a simple uniform of coarse duck. This plan ought to make something of the same appeal to youth as Hitler's Brown Shirts, and serve as a rival institution to the Nazis. By these measures of a more or less nationalistic character the von Papen Government is trying to cut the ground from under Hitler's feet.

Finally, there is the fact that President von Hindenburg and von Papen represent a widespread feeling in favor of "the neutral State"; that is, government by a "Presidential Cabinet" which stands above parties. It rests on the theory that Germany has had enough of party politics and squabbles; that so long as no one party or group of parties can command a majority in the Reichstag and form a harmonious working Cabinet it is the duty of the President of the Reich to choose a non-partisan Cabinet of efficient men who can run the country independently of parliamentary parties. To be sure, the von Papen Cabinet, although called at its formation a "national," or non-partisan, Cabinet, is in reality drawn practically from only one party, the Nationalists. But they are undoubtedly efficient men and have shown vigor in their economic measures for reviving business, relieving unemployment and building up as great a surplus of exports over imports as possible to meet Germany's obligations on her foreign debts.

Still another factor in favor of von Papen and against Hitler is the personal popularity and veneration with which the rugged old President is regarded by the masses of the German people. This found expression in his election for a second term last April, and was again evidenced at the celebration of his eighty-fifth birthday on Oct. 2, when thousands of telegrams, congratulatory letters and gifts poured in on him from all sides.

*GERMAN ECONOMIC CONDITIONS*

Germany's foreign debt has recently been analyzed by the National Industrial Conference Board of the United States, which estimates it to have been about $4,912,000,000 on Feb. 29, 1932. Of this about 40 per cent was held in the United States. This sum does not include direct investments by foreigners in stocks, bonds and landed property in Germany, which would raise the total foreign investments to about $6,193,000,000.

During the twelve months ending March 1, 1933, Germany will have had to pay foreign countries about $357,000,000 in interest and amortization charges on short-term and long-term foreign debts, according to the board's estimates. The distribution of short-term and long-term debts among the various countries is estimated as follows:

(In millions of dollars)

| Country. | Short-term. | Long-term. | Total. |
|---|---|---|---|
| United States | 769 | 1,230 | 1,999 |
| Netherlands | 396 | 456 | 852 |
| Switzerland | 385 | 273 | 658 |
| Great Britain | 306 | 269 | 575 |
| France | 113 | 115 | 228 |
| Sweden | 33 | 40 | 73 |
| Belgium | 28 | 19 | 47 |
| Czechoslovakia | 37 | 4 | 41 |
| Italy | 17 | 18 | 35 |
| Denmark | 12 | 2 | 14 |
| Norway | 3 | 1 | 4 |
| All others | 319 | 67 | 381 |
| Total | 2,418 | 2,494 | 4,912 |

The Reichsbank on Sept. 22 reduced its rediscount rate from 5 to 4 per cent, and still had on Oct. 3 a gold reserve of 24.7 per cent against outstanding paper money in circulation. It was hoped that the lowering of the discount rate would help business by cheapening credit.

The government's plan to increase the liquidity of commercial banks involves the foundation of two holding

institutions called the Industrial and Financial Corporation and the Amortization Bank. These will take over frozen and doubtful claims of commercial banks and also a part of the latter's stock exchange securities which at present are unrealizable or uncertain in value.

The process of reconstructing corporations is continuing, but is only half accomplished. During the first half of 1932, 414 corporations were reconstructed, reducing their capitalization by about $230,000,000, but similar reconstruction is necessary for many first-class corporations, including the Steel Trust and General Electric. Against such corporations the banks, in addition to holding their stocks, have big claims.

For the benefit of agriculture Germany has adopted the practice, which is coming into increased vogue in Europe, of fixing by quotas the amount of food which may be imported from each country. The list of goods for which quotas are to be fixed—the limit is three months—includes twenty categories. The United States will be chiefly affected by restrictions on imports of lard and fresh fruit, notably apples. The measure has been received with some misgivings by the industrialists who fear reprisals by foreign countries against Germany's export of manufactured goods.

To aid the farmers the government has also decreed for two years a decrease of 2 per cent on farm mortgages, provided the interest rate nowhere falls below 4 per cent, the reduction to be repaid later. This will not lead to a corresponding reduction of interest on mortgage bonds, as the government will financially assist mortgage and other banks holding farm paper.

Autumn is the time when unemployment naturally tends to increase, but the rise has been less this year than last. During the first half of September the number of unemployed increased only 38,000, as against 109,000 in the same period in 1931, which seems to indicate that von Papen's measures for economic recovery are having some success. Reports to the labor unions show that there has also been some improvement in textiles, shoes, leather goods and food products. But the receipts of the Federal Railways in August were only about $60,720,000, as compared with $81,120,000 in August, 1931, while carloadings were 12 per cent below those of August, 1932.

# Spain Grants Catalan Autonomy

*By* WILLIAM E. LINGELBACH
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AMID scenes of unparalleled enthusiasm, the principle of regional autonomy for Spain was officially proclaimed in Barcelona on Sept. 25 when Premier Azaña presented the Catalan autonomy statute to Colonel Macia, president of the Generalidad. More than 300,000 people came in from the country to swell Barcelona's population of 1,000,000 in celebrating the final triumph of the century-old struggle of Catalonia for home rule.

Regional consciousness in Catalonia has been deep rooted. The fertile valley of the Ebro appears as a separate entity as far back as 801, when Charles Martel created the Spanish March. The Catalans resisted and till the twelfth century maintained their

independence. During these centuries they developed a separate language and literature, a Cortes and political institution based on the *Usatges* of 1068—a sort of Spanish Magna Carta. Early in the fifteenth century they were conquered and gradually merged in the Spanish monarchy, but many of their liberties were retained till the nineteenth century, when one by one they, too, were swept away by the highly centralized despotism of Madrid.

During the years when suppression was at its worst, however, Catalan nationalism began to revive. A Catalan renaissance inspired to a large degree by Rubio y Ors lifted Catalan to the level of a literary language. From being purely literary, the movement soon became cultural and political. After Aribau's *Ode a la Patria,* written just ninety-nine years ago, came Cortada's *Catalonia and the Catalans* in 1860; the revival of the Floral Games; Valentin Almirall's book, *Catalanism;* the Catalan program known as *Las Bases de Manresa*—a State rights platform—drawn up in 1892, and the pact of San Sebastian between the republican leaders and the Catalans in August, 1930.

Following the establishment of the Republic, the Catalan statute or charter was drafted and endorsed by an almost unanimous plebiscite on Aug. 2, 1931. More than a year later, on Sept. 8, 1932, the Cortes, after prolonged debates on the different sections, voted the charter as a whole, thus making possible the official confirmation of Catalan autonomy in Barcelona on Sept. 25. Catalan home rule definitely destroys the unified State, and in part at least establishes a federal system, despite Articles XIV and XVIII of the Constitution. On the other hand, it sets up not a sovereign but an administrative autonomy in Catalonia, creating what is sometimes called an integral State in which there may be varying degrees of autonomy in regions bound together by close political ties. The Basques and Galicians can now look forward with confidence to a recognition of their demands.

The statute defines the geographic limits of Catalonia and establishes the right to the use of its own language, national anthem and flag—the red-and-yellow barred standard—and a State government consisting of a parliament, executive council and president. The Catalan language is placed on an equality with Castilian in official communications with the rest of Spain, in orders and dispositions of the Generalidad, in the courts and in the schools. Catalonia may establish a system of education, but the Central Government reserves the right to maintain its own schools.

A new system of taxes has been set up by which Catalonia can raise revenue for her own purposes by a tax on land, a 10 per cent levy on forests, 20 per cent of the stamp tax and an adjustable participation in industry. The Central Government retains rights of sovereignty and control over customs duties and certain taxes, such as those on tobacco and gasoline. The maintenance of law and order is left to the Catalonians, save where it becomes an interregional matter, as in policing the frontier and emigration. The same is true of social legislation, but in this field the direct supervision of the Central Government is stronger, since it was believed that too much self-government in this respect would be dangerous because of the strength of radicalism in Barcelona. The enforcement of the laws of the national government in Catalonia is for the most part left to the Catalan authorities, who cooperate with the national authorities to the extent permitted by Articles VI, XI and XIV of the Constitution, in matters relating to weights and measures, mining, forestry and agriculture; waters, hunting and fishing;

the press, associations and private and public meetings; railways, roads, canals, telephones; the services of civil aviation and wireless; internal sanitary regulations; general and labor insurance; socialization of national wealth and economic enterprises, and general matters of national economy.

It has been said that that people is most free which has the greatest degree of local autonomy. Anglo-Saxon tradition has in general favored this type of government. Excessive centralization tends to apoplexy at the centre and atrophy at the extremities. Local initiative becomes discouraged and disappears. The Catalan statute assumes a large measure of self-government without destroying the integrity of the Spanish Republic.

The Cortes, on Sept. 7, passed the bill ordering the distribution for social welfare of more than $30,000,000 of the property of the Jesuits which was confiscated in January of this year when the order was dissolved.

A tragic aftermath of the abortive monarchical uprising occurred on Sept. 21, when 105 members of the Spanish nobility were sent on the España V into exile in the torrid African colony of Cisneros.

### *ITALY FIGHTS THE DEPRESSION*

September passed quietly in Italy in preparation for the tenth anniversary of Fascism. Every effort was being made to overcome the effects of the business depression in the belief that the turn in the economic situation had come, even though actual recovery might be slow. Not only has rigid economy been ordered in all departments, but any display of extravagance is forbidden. Fascists who participated in banquets recently have been severely reprimanded. In no other country have the organized forces of society been so thoroughly mobilized to meet the economic crisis as in Fascist Italy. State capitalism with a planned economic program, but unlike the Russian, in that it retains the principle of private ownership and initiative, is developing rapidly, and the government is looking ahead with confidence to the economic revival, of which it is preparing to take full advantage.

One of Italy's difficulties lies in her lack of capital and the reluctance of Italians to invest their savings in business enterprises, preferring to keep their money on deposit with the banks. In order to correct this, and bring about a freer flow of money into industry and commerce, the government, in cooperation with the Bank of Italy and the Association of the Savings Banks, announced a cut of 1 per cent in the interest rate on all deposits after Oct. 1. The rate on current accounts will thus be from 2 to 3 per cent and from 3 to 4 per cent on block accounts. Since more than $1,500,000,000 is today unproductive, lying idle in Italian savings banks, it is expected that considerable sums will find their way into industrial enterprises where the returns will presumably be more attractive. The fact, however, that the interest on government securities is higher is causing further complications. Possibly Mussolini has in view refunding at a lower rate similar to the recent conversion operations in Great Britain as well as in France.

Another example of the State planning appears in the operation of the Instituto Mobiliare Italiano. For several years during the boom the Banca Commerciale extended its credit system enormously, including in its investment the securities of many industrial concerns. When the crash came the bank was threatened with bankruptcy. Mussolini came to the rescue by creating the Instituto, capitalized at $27,500,000, and had it take over all the industrial securities of the bank at book value. This not only saved the bank and the national credit but placed more than one-tenth of the shares of Italian industrial companies,

and potential control of a third more, in the hands of the government.

The Instituto lends to business on mortgages, shares or other securities of industrial concerns, if the stockholders approve, and may itself issue shares for sale to the public. In close cooperation with the Instituto is the National Confederation of Industry, while over them all is the Ministry of Corporations, under Mussolini himself. An illustration of how it is functioning appeared recently in the law on consortiums by which industries in any particular line of production must consolidate if 70 per cent wish it. This is far removed from the American "restraint of trade"; indeed, it is exactly opposite and lays the basis for the consolidation of many Italian industries, at present entirely disorganized, into monopolies under direct State control.

The effect of the State's economic planning is already manifesting itself in many lines. September reports of the wheat crop show a bumper return of 276,000,000 bushels, the largest ever produced. "The Battle of the Wheat" seems won.

The appointment of Baron Aloisi, chief of the Cabinet of the Foreign Office, a relatively inexperienced young man, to head the Italian delegation to the League of Nations, was at first interpreted as a distinct slight to the League by Mussolini, but the Baron signalized his appearance in Geneva by assuring the Assembly that his government continued to stand firm for the League and for disarmament.

Toward the end of the month a bitter trade conflict with Germany arose over the application by the German Government of the quota system to Italian agricultural products, limiting imports to the amount for which there was exchange credit in Italy. This has seriously affected the exchange clearing agreement of Sept. 22. Acting with his usual promptness, Mussolini on Oct. 3 forbade Italian banks to allot any foreign exchange to Italian imports on German goods, thus practically placing an embargo on German trade. The disagreement is another example of the results of an increasing response to the demand for economic self-sufficiency which bids fair to dry up much of Europe's foreign trade.

# Royalist Gains in Greece

*By* FREDERIC A. OGG

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THE prolonged campaign in Greece leading up to the election on Sept. 25 of a new Chamber of Deputies and a third of the members of the Senate was characterized by bitterness unusual even in Greek politics. The contest was mainly between the Venizelist Liberals, led by the Premier, and the Royalist People's party, led by P. E. Tsaldaris, with the support of ex-Premier Kafandaris and his Progressive Republicans. As proportional representation has been introduced into the electoral system, it was not unexpected that no party would win a clear majority.

Early in September, and up to the date of the polling, there was excited talk of the possibility of a military *coup d'état,* which might come soon enough to prevent the elections from being held at all. In speeches and press communications, Premier Venizelos repeatedly insisted that if the

Royalists were victorious, they would construe the verdict as a mandate to re-establish the monarchy—an eventuality which, he further asserted, would, in a time of economic and financial difficulty, be nothing less than ruinous. The republic, he declared, must be maintained at all hazards; and he did not hesitate to say that, even if the Royalists won, he was prepared to prevent them—by force, if necessary—from taking office. Knowing that an organization of army officers, dominated by General George Kondylis, "father of the republic," was increasingly active, large sections of the press and many people came to believe that, with the Premier's connivance, a bold stroke was in preparation. Nevertheless, the elections were carried out on schedule and according to law.

The Royalists, on the other hand, had reiterated unequivocally that, in the event of victory, they would respect the republican régime and seek no constitutional change, and that they would not employ any part of the armed forces to further their ends. The Venizelos government, they contended, had outlived its usefulness and gave no promise of leading the country out of the economic and fiscal troubles in which it finds itself. Premier Venizelos, M. Tsaldaris assured the voters, was driving the nation to revolution.

The outcome was inconclusive. In the 1928 election, the Venezelists won 228 out of the 250 seats to be filled in the chamber, the Royalists only 18. Under the simple majority system of election prevailing, however, this did not reflect the actual popular strength of the parties; and in the election in September the results were: Venezelists, 102; Royalists, 96; Progressives, 15; Agrarians, 11; Communists, 9; Farm-Labor bloc, 6; Radical Nationalists, 5; scattering, 6. With a bare plurality, the Venezelists were manifestly not in a position to go on governing independently, and at the end of the month President Zaimis was negotiating for a combination planned to include the two major parties, so recently ready to fly at each other's throat. Unconditional reaffirmation by the Royalists of acceptance of the present republican form of government was necessarily to be made an essential of the proposed coalition. After all, Greece is even more accustomed to the bargaining of party with party than to military dictatorships, although she has had two experiences of such dictatorships in the last decade.

### *SUPPRESSION OF POLISH MINORITIES*

Ukrainians continue to disturb the Polish Republic. By order of the Governor of Lwow, the Ukrainian radical party, Selrop, with a membership of 400,000, was dissolved on Sept. 26. The organization, which had four Deputies in the National Parliament, was charged with spreading Communist propaganda and with anti-Polish activities. Simultaneously, the Governor of Pomorze—the Corridor province—banned a nationalistic and anti-Semitic organization known as the Greater Poland Association.

On Sept. 14 the Warsaw Government notified Washington that it would take advantage of the option granted in the debt-funding agreements by postponing for two years the payment of principal on Poland's debt to the United States due on Dec. 15. The total obligation now stands at $1,357,000 principal and $3,070,980 interest. Interest payments are not postponable under the agreements and must be made or the debtor will be considered in default.

### *HUNGARIAN CABINET CRISIS*

A long-impending Cabinet crisis in Hungary came to a head on Sept. 21, when Premier Karolyi visited the Regent, Admiral Horthy, at Goedoelloe, near Budapest, and tendered the resignation of himself and his col-

leagues. This was accepted, and nine days later a new Cabinet was formed by Julius Goemboes, one of the few commoners to rise to political importance in the country and the man mainly responsible for preventing former Emperor Karl in 1921 from regaining the Hungarian throne. On the latter account, his appointment as Premier was a severe blow to the Legitimists.

The Karolyi Government dated from August, 1931, and, like the Bethlen Government before it, rested on the support of a "party of unity" which has dominated the country since 1921. For a good while, ardent supporters of Count Bethlen, considering the policies of Karolyi too moderate, had conspired to upset the Cabinet and perhaps return their leader to power, and on three occasions within recent months they had inflicted defeats on individual members of the Ministry in by-elections. In addition, the Agrarians had withdrawn their support. The new government of M. Goemboes was planned to be essentially non-partisan, though it was pledged the support of the Bethlen wing of the party of unity.

The Karolyi régime was further weakened by failure to make material progress with financial rehabilitation. Reports for the fiscal year ended June 30 revealed a deficit of $26,600,000, half incurred in State administration proper and half in business enterprises in which the government had involved the country. The only important government business which paid its way was the postoffice.

### *POLISH-RUMANIAN RELATIONS*

The signing on July 25 of a Polish-Russian non-aggression pact stirred in the European—including the Rumanian—press some doubt as to the future of the Polish-Rumanian defensive alliance. Two later developments indicate that the alliance has not, in fact, been endangered. In the first place, on Aug. 28, Colonel J. Beck, Polish Under-Secretary of State for Foreign Affairs, visited Bucharest, and four days later the Rumanian Government issued a statement asserting unequivocally that a complete understanding exists between the two countries and that both consider their alliance "a very solid and valuable one." In the second place, King Carol was reported at the same time as having given full approval to Premier Vaide-Voevod's moves for a Rumanian-Russian pact which will complete the triangular arrangement.

A sensational article in *Patria* near the middle of September, supposed to have been inspired by leaders of the Peasant party, rebuked Queen Marie for intriguing in the Habsburg interest and thereby brought the Habsburg question once more into the political arena. How much foundation there may be for the charge does not appear, but it is commonly understood that the "mother-in-law of the Balkans" still cherishes high ambitions.

### *BULGARIAN CABINET CHANGES*

The persistent refusal of Gheorghi Yordanov, Bulgarian Minister of Agriculture and Public Works, to resign in compliance with a wide agrarian demand and the definite order of the executive of his party led on Sept. 7 to the resignation of Premier Mushanov and his Cabinet. A new government was formed immediately, with no change of personnel except the substitution for Yordanov of Virgule Dimov, secretary of the Agrarian party and president of the Sobranye.

Special protection for American holders of two issues of Bulgarian Government loans floated under the auspices of the League of Nations, now technically in default, is afforded by the recent appointment by the League Council of Louis P. Sheldon, an American, as trustee for the issues.

# Sweden's New Socialist Cabinet

*By* SIDNEY HERTZBERG

THE quadrennial elections for the Second Chamber of the Riksdag in Sweden on Sept. 18 resulted in an increase in the Social-Democratic representation large enough to give that party an opportunity to form its fourth Cabinet. The Socialists now hold 104 seats, an increase of fourteen. Their popular vote grew from 873,931 to 1,039,249. Together with both wings of the Communist party they control 112 seats, which is only four short of a majority, and the combined vote of Socialists and Communists topped the total of all other bourgeois parties for the first time in Sweden's history. Unofficial figures give the working class parties 1,245,635 votes and the bourgeois groups 1,244,941.

The Conservative party suffered the worst defeat, losing fifteen of its seventy-three seats and 109,591 of its 692,434 votes. The People's party, whose Ministries were displaced after two years of power, lost eight seats and now have twenty. Their popular vote fell from 303,995 to 250,379. The old Liberal party, from which the People's party sprang, retained its four members, but polled only 40,859 votes, a loss of 29,965.

The comparatively new Agrarian party was returned with thirty-six seats, a gain of nine, made chiefly at the expense of the Conservatives. They received 351,150 votes this year, as against 263,501 four years ago. The popular vote of the Communists increased from 151,567 to 206,386, but they still have only eight members. This year two of the Communists are faithful to the Third International; four years ago none of them were. The National-Socialists, making their first important campaign, received 15,160 votes, but did not win any seats.

Compared with the intense and searing political struggles in most other European nations, the Swedish elections were carried off with grace and ease. Here at least is one nation which does not question the efficacy of democratic government. Apparently, among these pure Nordics there is little hope for Hitlerism. The campaign was concerned chiefly with the low returns for farm products, trade difficulties, especially with Germany, and governmental economy. The increase in Socialist strength was attributed to unemployment and discontent with the existing state of affairs. In addition, previous Socialist Governments, particularly those under the late Hjalmar Branting, were very favorably remembered. The People's party unquestionably suffered from the disclosure of Ivar Kreuger's two contributions of 50,000 kronor to its fund, which resulted on Aug. 6 in the resignation of Premier Carl Gustaf Ekman, the party's founder and leader. Furthermore, Ekman's régime and the short-lived People's party Ministry of Felix T. Hamrin which succeeded it, were made to bear part of the blame for the agricultural crisis.

The Socialists were called in after King Gustaf was convinced by the leader of the Agrarians that a bourgeois coalition was impossible. Only then did the King request Per Albin Hansson, who had been Minister of National Defense in all previous Social-Democratic Governments, to try a Left combination with the People's party. When this attempt produced no results, the only alternative was the organization of a purely Socialist Cabinet. In addition to Hansson as

Premier, it includes Rickard Sandler, a former Socialist Premier, as Minister of Foreign Affairs. Only one of the Ministers is over 50 years old.

The program which the new government put forward includes an effort to break down the barriers to international trade, better equalization of imports and exports, unemployment relief through productive construction work, aid in mortgage payments for farmers, strict economy in public expenditures, especially in those of a military nature, enlarged government control of national economic interests, full cooperation in efforts at international reductions of military and economic armaments. Most of these measures will draw enough support from the Right to be assured of enactment. But some members of the Social-Democracy did not relish the idea of once again putting the party in a position of power and responsibility without the assurance of Parliamentary support.

*IVAR KREUGER'S LIABILITIES*

Incomplete statements of the assets and liabilities of the Kreuger & Toll Company and of Ivar Kreuger's personal estate were finally published during September. The Kreuger & Toll deficit exceeds 270,000,000 kronor ($48,330,000), with assets of 508,844,353 kronor and liabilities of 780,650,443 kronor. The report of the receivers severely criticizes the directors of the company, including M. O. Rydbeck, managing director of the Skandinaviska Bank, for their laxness. Even a cursory examination of the company's 1929 and 1930 balance sheets, the report says, would have convinced the directors that there were serious errors in them.

The late match king's personal indebtedness amounts to $191,762,730, more than $6,802,000 of which is owed to Kreuger & Toll, assets being 98,412,834 kronor ($17,775,897) and liabilities 1,170,606,855 kronor ($209,538,627). The statement also adds to the extraordinary list of people who received Kreuger's bounties. They are, Dr. Helmer Key, well-known and highly respected editor of the Conservative *Svenska Dagbladet*; Gertrude Paalson Zettergren, actress, and K. Kilbom, leader of the Communist party. Meanwhile, the ramifications of Kreuger's affairs continue to be pursued on two continents.

*FINLAND FREES DRINKERS*

The bill granting amnesty to some 20,000 persons convicted of minor offenses against the repealed prohibition law was passed by the Finnish Parliament on Sept. 23. The President immediately issued pardons to them. Substantial liberalization of the liquor laws was foreshadowed by a new bill which the Cabinet will introduce. It permits the sale of liquor every day except Sundays and holidays. Liquor shops would be open seven hours instead of five and beer would be sold.

*ANGLO-DANISH TRADE*

The Prince of Wales visited Copenhagen during the last week in September to open an extensive exhibition of British goods. If this latest tour of the empire's traveling salesman does not produce results it will not be the Prince's fault, for he told the Danes quite frankly that he expected the British exhibitors to go away with very few blank spaces in their order books.

Elections to the Landsting, which took place in seven districts on Sept. 6, resulted in the capture of one seat from the Radicals by the Conservatives. The position in the new Landsting will be: Opposition (Conservatives and Farmers' party) 41 seats, Government parties (Socialists and Radicals) 35 seats. The Conservatives based their appeal on a change in tariff policy to meet the demands created by the Ottawa Conference.

# Discontent Among Soviet Peasants

*By* EDGAR S. FURNISS
*Dean of the Graduate School, Yale University; Current History Associate*

THE crisis in Soviet economic affairs has continued unabated. (See October CURRENT HISTORY, pages 116-119.) In September were published statistical summaries covering industrial production during the first eight months of the year. These figures show that in virtually all lines of activity performance is lagging far behind the schedules of the Five-Year Plan.

Iron production, for example, totaled 4,000,000 tons as compared with 9,500,000 tons specified by the program; steel output was 3,700,000 tons instead of the 8,880,000 expected; copper production at 35,000 tons is a bare 35 per cent of the amount planned. Oil measures up to 75 per cent of the schedule, coal 50 per cent and building trades 50 per cent, with even smaller accomplishment in the fields of new construction. It is of great significance, also, because of their bearing on the grave situation in agriculture, that the factories producing for household consumption have responded haltingly to the government's aggressive efforts to expand their output.

In many departments of industry the shortcomings can be somewhat concealed by making use of comparisons with last year's record. Thus it can be shown that unsatisfactory as are the results of the eight months' activity in the basic industries as measured against the control figures for 1932 they are, nevertheless, better than a year ago. All major lines score advances, ranging from 10 to 27 per cent, over 1931. It is noteworthy, however, that these advances were made during the first quarter of the year; since April there has been a rapid decline and the adverse trend has not yet been checked.

But the really critical conditions are to be found in agriculture. Here the record of accomplishment is not only behind schedule for 1932 but substantially below that of last year. September figures show that State grain collections at that time were almost 50 per cent less than a year ago, the area harvested was below that of 1931, and the Fall sowing campaign was lagging 40 per cent behind last year's. In the meantime, the need for food products, both for domestic urban consumption and for export, has immensely increased. Disaster, in fact, threatens the economic program of the Communist leaders and the policy which has been based upon that program.

The situation is similar in essentials to that of 1921, when the rebellion of the peasants against forced socialization, though passive in character, plunged the cities into famine and completely overrode whatever measures of compulsion the government could devise. The result was the abandonment of socialism and the adoption of the New Economic Policy. It is true that the present emergency is not due solely to peasant rebellion. In part it is the result of the unexpected inefficiency of the new, large-scale collectivist agriculture, aggravated by the failure of the recently established automotive industries to provide needed equipment. The war scare in the Far East has also had some effect by transferring to the army supplies of foodstuffs intended for the industrial population, and by retarding produc-

tion of household wares in favor of military equipment. Nevertheless, the temper of the peasant population is a decisive factor in the present emergency.

The peasants, where they are not openly hostile, are at least apathetic to the purposes of the government. They recall the excesses committed by the Communist "hotheads" last year; they harbor resentment for the grain-collection policy of last Autumn, which took from them too large a share of their crop; above all, they have seen the months pass without the fulfillment of the government's repeated promises to provide them with ample supplies of factory products, and they have lost faith in the intention or ability of their political masters to keep their agreements. This attitude of passive resistance is strikingly disclosed in the complete failure of Stalin's recent liberalizing policies to win their cooperation. These policies, as pointed out last month, involved really drastic changes in the direction of greater individual freedom and private profit; yet their results to date have been negative. As in 1921, the Soviet Government must devise new tactics to deal with the overwhelming pressure of its recalcitrant peasantry.

For a time it was a moot question whether the decision of the Kremlin would not be the same as in 1921—an abandonment of socialism, carrying out to their logical conclusion the series of liberalizing compromises which Stalin began last May. But during the last week of September the Soviet authorities moved abruptly in the reverse direction, toward a more rigorous system of compulsion and a greater degree of governmental control over the peasants.

Two decrees on Sept. 24 gave effect to this decision. The first rescinded the earlier decree which released the peasants from State grain collections, abolished the new-born private trade in foodstuffs and reinstituted with increased severity the system of forced requisitions. The second gave to the meat collection decree of May 10 the effect of a tax, and made non-fulfillment of the requisition punishable by a fine equal to the market price of the undelivered meat. The freedom of the market, of which so much was said in the official press during the Summer months, has vanished and in its place has appeared again the army of Soviet officials prepared to employ force if necessary to bring the peasants into line. Under the new decrees each independent peasant family must, between Oct. 1, 1932, and Jan. 1, 1934, deliver to the government a definite amount of meat ranging up to 110 pounds; the maximum for each collective farmer is fixed at 73 pounds; each stock farm must deliver 66 pounds for every cow, 22 pounds for every sheep and 260 pounds for every sow owned on Oct. 1, 1932. Similarly precise are the requisitions of grain. Prices are fixed by government mandate and a renewed ban on the private trader removes the peasant's sole opportunity to dispose of his product in other ways than by turning it over to State agencies.

To give point to the policy of compulsion, the Communist authorities have launched a nation-wide attack upon violators of the food decrees, particularly the private traders and middlemen, whose activities were never legalized, even when free trade in food was decreed during the Summer, though the desire of the government to stimulate the trade caused the ban to be removed in fact if not in law. Large numbers of private traders have now been seized by the police and punished by fine or imprisonment. A press agency's survey of local Russian newspapers disclosed several thousand arrests throughout the country during the closing days of September. The activity of the Soviet police has produced a tension in the rural districts similar to that which prevailed two years ago during the

ruthless anti-kulak campaign. Thus far there has been little evidence of a violent response by the peasants. The occasional murder of an over-aggressive police officer or an informer of the local Soviet has been reported in the press, but no likelihood of disorder on a wide scale has appeared.

The most striking sign of peasant unrest is the quiet movement of families from the collectives in regions where there remains freedom of choice with regard to membership. The movement has become sufficiently widespread to bring forth from higher government circles the suggestion that the collectivist system needs thorough reorganization. But quiescence is no assurance that compulsion will be successful. Stalin has issued a challenge to the great rural population of Russia. He will match the power of his dictatorship against their dogged but passive opposition. Upon the issue of the contest turns the ability of the Communist leaders to carry forward their program of industrialization, to feed the rapidly increasing industrial population and to provide exports for exchange against the necessary supplies of machine equipment and construction materials.

Absorbed in these critical domestic concerns the Soviet Union has shown little interest in international affairs during the past month, except in matters affecting her foreign trade.

The desire for peace in the Far East is attested by Soviet patience with Japan's activities in Manchuria and by the successful conclusion of a Soviet-Japanese trade agreement covering the sale of large quantities of Russian oil to Japan. The determination to pivot her European strategy upon friendly relations with France and her allies has been shown by the Soviet Union in a number of ways. For the first time since the Revolution, Soviet officials en route through Poland have been greeted with a public display of friendship and have indulged in laudatory speeches about the union's Western neighbor. For the first time, too, the union has conceded to Rumania the right to discuss the propriety of her ownership of Bessarabia, and such discussion is under way as a prelude to a Soviet-Rumanian pact of friendship.

With regard to France herself several small steps have been taken toward more cordial relations. M. Herriot, who as Premier five years ago worked out with the Union a tentative agreement concerning Czarist debts, has again shown his willingness to discuss amicably the points at issue between the two countries; and important conversations have been held during the past few weeks between the French Government and the Soviet Ambassador Dovgalevski. On Aug. 9 an accord was signed by which the Soviet Government obtained exclusive right to supply oil, both crude and refined, to France for the period from 1932 to 1937. The chairman of the oil commission of the French Parliament speaking of this agreement hailed it as "the key which opens the door of economic and political relations" with the Soviet Union.

Apparently the Soviet Union has accepted the recent pronouncement of the American State Department as putting an end for the present to any hope of recognition. As a result efforts are being concentrated upon an improvement in trade relations. In this endeavor the Soviet Union has the cooperation of a number of influential American business men who have organized to work out the problem, moved by the fact that Soviet purchases in the United States have fallen 60 per cent in the course of the year, and aware that unless satisfactory arrangements are made before the end of November the Soviet budget for the coming year will make no provision for American business. The fundamental problem is one of finance. The attitude of the American State Department prevents the establish-

ment of long-term credits, which are essential to Soviet trade, but American export interests are attempting to devise a scheme of direct barter which will surmount this difficulty. In this they have been so far successful as to conclude the first important contract of its kind, a contract between the Aluminum Company of Canada — a Mellon-controlled concern — and the Soviet Union providing for the exchange of $1,000,000 worth of aluminum wire against Russian oil. This is said to be the first of a series of similar contracts now being negotiated by American business interests.

# Iraq Joins the League

*By* ALBERT H. LYBYER
*Professor of History, University of Illinois; Current History Associate*

THE formal admission of Iraq to the League of Nations took place at Geneva on Oct. 3. President Politis of the Assembly welcomed the representatives of the new member, Nuri Pasha as-Said, Prime Minister; Jafar Pasha al-Askari, Minister of Defense, and Rustem Beg Haidar, Minister of Finance. In his address he said: "After centuries of foreign domination Iraq has finally recovered her liberty. Henceforth she will be bound only by that obedience which is common to us all, which is obedience to international law. Once more the world has been given striking proof of Great Britain's liberality."

A Pan-Arab conference has been arranged for this Autumn in Bagdad under the honorary presidency of King Feisal. The Acting President will be Yassin Pasha. Delegates are expected from Iraq, Syria, Palestine, Egypt, Transjordania and the Hejaz. The situation of the Arab peoples will be discussed, and a report in the Iraqi press states that a particular subject of discussion will be "the projected union of Iraq and Syria."

### *TURKISH RAILWAY PROGRESS*

The Turkish Government has completed the railway from Samsun to Sivas. This line, about 250 miles long, connects the shore of the Black Sea with the interior of Anatolia. As the line between Ankara and Sivas through Kayseri was completed in 1930, it is now possible to travel by rail from Istanbul through Ankara to Samsun. The connection between Kutahia and Balikesir, joining the central and western railways, has been completed except for one of the tunnels. Work is proceeding on the line between Kayseri and Ulukishla which, when finished in about two years, will complete the connection between the Black and Aegean Seas. The railway between Ankara and Filyos is expected to be opened in 1934, linking the coal areas near the Black Sea with Ankara and the interior. The extension of the Bagdad Railway to Diarbekir is expected to be finished at about the same time. This construction work has been financed almost entirely from current revenues. Turkey will thus soon have a network of internal communications which will be of great importance to both the economic development and the strategical defense of the country.

President Mustapha Kemal Pasha has actively joined the movement to eliminate from the Turkish language as many foreign words as possible, especially those of Arabic and Persian origin, and to restore genuine Old Turkish words. He recently sent a telegram entirely in Old Turkish to

Kiazim Pasha, President of the Assembly.

The dissatisfaction of business men with the restrictions placed on imports by the decrees published on Aug. 20 led to the resignation of the Minister of National Economy, Mustapha Sherif Bey. His successor, Jelal Bey, immediately modified the regulations governing both exports and imports. All raw material needed by Turkish industries is now allowed unrestricted entry.

### *RETRENCHMENT IN SYRIA*

At a meeting held in Damascus in midsummer the Council of Ministers adopted various measures aiming at economy. The proportion of salaries withheld for pensions was increased from 7 per cent to 10 per cent; indemnities, gifts and supplements were suppressed; allowances for automobiles were annulled, travel allowances were reduced by 25 per cent and office expenses by 20 per cent; officials over 60 years of age or who have served forty years were to be pensioned; certain commissions were abolished, and the expenditure for public work during the next year was limited to 145,000 Syrian pounds.

### *THE EGYPTIAN PUBLIC DEBT*

Premier Sidky Pasha took advantage of the recess of Parliament and the heat of midsummer to visit Europe. He prolonged his stay, according to reports, in order to converse with the Italian and French Governments on the question of whether the coupons of the Egyptian public debt should be paid in gold or in pounds sterling. The Italian Government appears to have looked with favor on Sidky's proposal to pay in the less valuable medium.

An important result of the low price of cotton, only in part modified by the recent improvement, has been a great reduction in the amount of land devoted to the crop. The government ordered a reduction by one-third in the acreage planted with cotton, and the farmers went even further, planting only about one-half the former area. To a large extent wheat has taken the place of cotton, with the result that the price of grain has fallen very low. The government has raised the duties on wheat and flour in an effort to make Egypt self-sufficing in these commodities. Imports have hitherto amounted to about $5,000,000, coming mainly from Australia. The loans which the government has made to farmers on their crops are extensively in default, and the government must choose between writing off heavy losses and seizing the scanty lands of many poor farmers.

### *AMERICANS' ADVENTURE IN PERSIA*

Three American consular officials, Robert B. Streeper of Columbus, Ohio, Consul and third secretary of the Legation at Teheran; Cyril L. F. Thiel of Chicago, Consul at Jerusalem, and Thomas A. Hickok of Rochester, Pa., Vice Consul at Jerusalem, were captured by Lur tribesmen while they were traveling from Bagdad to Teheran early in September. They were taken from automobiles at the Bidsork Pass and forced to travel on foot twenty-five miles southward. At dusk Persian troops dispersed the tribesmen. The Americans escaped and later joined the Persian force. The tribesmen are supposed to have been desirous of seizing hostages on account of the imprisonment of some of their members at Teheran.

Noteworthy progress has been made in the construction of the railway connecting Teheran with the Persian Gulf and the Caspian Sea. At the southern end, 150 miles have been laid down from the new port at Bandar Shapur to the mountains of Luristan. C. J. Carrol, the American engineer supervising the work, has built more than 450 permanent bridges and culverts.

The government's share of the profits of the Anglo-Persian Oil Company fell from $4,500,000 in 1930 to $1,000,000 in 1931.

# Verdict of the Lytton Commission

*By* TYLER DENNETT
*Professor of International Relations, Princeton University; Current History Associate*

THE Lytton report on Manchuria, published on Oct. 2, 1932, is likely to take its place in history as a very famous document. A subject of extraordinary diversity is organized and stated with clarity, balance, tact and cogency, while a constructive contribution is made toward the solution of a bewildering international dispute that leaves the report with perhaps no equal in the literature on the Far East.

The Lytton Commission boldly poses for the League of Nations, as well as for Japan and China, some tasks which may prove trying. Without waiting, however, for the action of the special meeting of the Assembly fixed for Nov. 14, when the official discussion of the report will begin at Geneva, it would appear that it has already contributed not a little to the rehabilitation of waning League prestige. It is something achieved when international organization can have developed to a point where such a study can have been made and such a frank report published.

So carefully are the conclusions of the report phrased that they do not admit of brief summaries, nor are the latter necessary, since the complete text of the concluding chapters—IX and X—as well as summaries of and extracts from the preceding chapters—will be found on pages 244-256 of this magazine. Although a supplementary volume is to be published, from what is now available it is quite clear that there is no dodging of issues.

Chapter VII of the report deals with the boycott. The commission evidently has grave doubts that it "is a legitimate weapon of defense against military aggression by a stronger country, especially in cases where methods of arbitration have not previously been utilized." This observation is directed only toward boycotts as promoted or directed by governmental agencies. It is freely granted that any citizen has the right to elect what, if any, goods he will purchase.

The constructive proposals call primarily for direct negotiation between Japan and China, with neutral observers and with the privilege that the negotiators may appeal to the Council of the League for good offices in the settlement of otherwise irreconcilable differences. The commission ventures to suggest the broad outlines of a series of settlements which, taken together, might offer an enduring solution of the dispute. It proposes that the Chinese Government should voluntarily set up in Manchuria a government which would be largely independent of China, although under nominal Chinese suzerainty. It proposes the creation of a Chinese gendarmerie with foreign instructors and the withdrawal of all other armed forces. Generous use should be made of foreign advisers, both political and fiscal. A board of conciliation and arbitration is recommended. It is suggested that the South Manchuria Railway should be formed into a purely commercial enterprise and that agreement with, or unification of this railway with, the Chinese lines should be accomplished in the interests of sound business. There should be a reform of the courts and the eventual abolition of extraterritoriality.

With much cogency the commission argues that Japan, as well as Manchuria and China, would be better off in the long run if peace and good or-

der could be restored through the voluntary adoption of such measures. There is more than one indication in the report that in the judgment of the commission the Japanese adventure in Manchuria is likely to be an unbearable financial burden as well as an exhausting military drain. Passing from the specific Manchurian problem to that of China itself, the commission recommends "international cooperation in Chinese reconstruction."

Every one of the proposals, even the one last named, may be theoretically sound, but they are almost equally difficult of immediate adoption. On the other hand, if a genuine will to have peace were to appear now or at any time in the Far East, it is possible from the blueprints of the Lytton report to build up in Manchuria a stable government which, instead of destroying the substantial foundation already laid by Japan, would, in fact, make use of it, and yet without sacrificing any worthy claim which either Japan or China may make as to the nature and dimensions of their separate or common interests.

For the moment, the Japanese hotheads are in control of the situation. The statement of General Nobuyoshi Muto, supreme Japanese military and diplomatic representative in Manchuria, to The Associated Press on Oct. 3 is an extraordinary document by the side of which the comments of the Japanese Foreign Office are feeble indeed. General Muto merely repeats his defiance of the League and assumes to speak for the Japanese Government. The Japanese Cabinet, the next day, meekly confirmed his defiance. Perhaps the Generals do speak for Japan today, but surely insanity has not swept from the councils of the Japanese Government all the wiser heads who, in times past, have displayed so much political sagacity in international affairs.

There appears to be a tendency at Geneva in some quarters to sweep aside the idealistic explanations of American policy and to describe it as "protecting American interests in the Pacific." Perhaps in Tokyo the American position would be better understood if it were allowed to rest conspicuously upon the claim of national interest, a claim which the Japanese can readily understand. There seems to be general agreement that the Lytton report is of such a character that there need not be any necessity for Japan to withdraw from the League. It is not, however, expected that the discussion of the report in November, when Japan will be permitted to introduce a brief in rebuttal, will eventuate in very important immediate measures. The Japanese are evidently hoping that each month of delay will provide further proof that they are in a position to maintain in Manchuria a stable government which will be deserving of greater respect on the part of international society than any yet maintained or proposed by China's republican régime.

### *JAPAN'S RECOGNITION OF MANCHUKUO*

The presentation of the Lytton report was preceded on Sept. 15 by the signing of the Japan-Manchukuo protocol. In meeting the discussion in the League Assembly Japan will be off to a bad start by reason of having thus formally recognized Manchukuo. This act was a studied affront to the League and may be interpreted as such by every nation which joined in creating the Lytton Commission.

Accompanied by great rejoicing in Changchun and in Japan, but followed by great silence in Washington, General Nobuyoshi Muto, representing the Emperor of Japan, and Cheng Hsiao-hsu, Premier of Manchukuo, on Sept. 15 signed the protocol by which the latter declared its intentions of "abiding by all international engagements entered into by China in so far as they are applicable to Manchukuo," in return for which as well as for some other unlisted favors,



MANCHUKUO (MANCHURIA)

Japan recognized Manchukuo as an independent State. The protocol, while omitting the word "alliance," gives to Japan the right to station such forces as may be necessary to secure the national safety of either State at any point it may select in Manchuria. This for Japan represented a great advance over the old treaty with China which permitted Japanese troops in the railway zone only. The new State also confirms and agrees to respect not only all rights and interests "possessed by Japan or her subjects within the territory of Manchukuo by virtue of Sino-Japanese treaties" but also similar rights derived from "agreements or other arrangements or through Sino-Japanese contracts, private as well as public." Persistent reports for the last six months would seem to indicate that these unspecified agreements, arrangements and contracts are extensive. It is hard to see why Japan would, except through oversight, have neglected to contract for everything which either the government or private subjects desire.

Washington reserved comment upon the new treaty, but the day before, Sept. 14, American Consul General George A. Hanson, acting in the name of the other consular representatives, called upon the Changchun Government to increase the number of police around Harbin and to arrest and punish the Chinese responsible for an attack upon several Consuls on a local golf course.

The opinion in Geneva was expressed that in meeting this new Japanese affront to the League and the peace machinery the United States must take the lead. But upon the opening of the League Council on Sept. 24, President de Valera, presiding officer of the League, thrust aside the polite introductory speech prepared for him by the Secretariat and boldly declared: "I should, however, be lacking in frankness, both to the Japanese Government and to the members of the League as a whole if I were to recommend to the Council acceptance of this delay without giving expression to regret, which I am sure is felt by the generality of members of the Council, that before even discussion of the report of the commission, before even publication of that report, Japan has, not only by recognizing, but also by signing a treaty with what is known as the Manchukuo Government, taken steps which cannot but be regarded as calculated to prejudice settlement of the dispute."

Señor Salvador de Madariaga of Spain went even further than the presiding officer and intimated that

by recognizing the new State Japan had displayed bad faith with the League. "It is a matter," he declared, "which affects not only the relation between Japan and China but the relationship between Japan and the League of Nations and its Covenant."

The following is the text of the Japan-Manchukuo protocol:

Whereas Japan has recognized the fact that Manchukuo, in accordance with the free will of its inhabitants, has organized and established itself as an independent State; and

Whereas Manchukuo has declared its intention of abiding by all the international agreements entered into by China, in so far as they are applicable to Manchukuo;

Now, the Governments of Japan and Manchukuo have, for the purpose of establishing a perpetual relationship of good neighborhood between Japan and Manchukuo, each respecting the territorial rights of the other, and also in order to secure peace in the Far East, agreed as follows:

1. Manchukuo shall confirm and respect, in so far as no agreement to the contrary shall be made between Japan and Manchukuo in the future, all rights and interests possessed by Japan or her subjects within the territory of Manchukuo by virtue of the Sino-Japanese treaties, agreements or other arrangements, or through Sino-Japanese contracts, private as well as public.

2. Japan and Manchukuo, recognizing that any threat to the safety of either of the high contracting parties constitutes at the same time a threat to the existence of the other, agree to cooperate in the maintenance of their national security, it being understood that such Japanese forces as may be necessary for this purpose shall be stationed in Manchukuo.

The present protocol shall come into effect from the date of signature. It has been drawn up in Chinese and Japanese, two identical copies being made in each language. Should any difference arise regarding interpretation between the Japanese and Chinese texts the Japanese text shall prevail.

In witness whereof the undersigned, duly authorized by their respective governments, have signed the present protocol and affixed their seals.

Done at Hsinking (Changchun) on the fifteenth day of the ninth month of the seventh year of Showa, corresponding to the fifteenth day of the ninth month of the first year of Tatung.

NOBUYOSHI MUTO,
Ambassador Extraordinary and Plenipotentiary of His Majesty the Emperor of Japan.

CHENG HSIAO-HSU,
Premier of Manchukuo.

## *DISORDER IN MANCHURIA*

Nothing has been made more clear in the last month than that Japan, quite aside from the struggle which faces her at Geneva, and perhaps in Washington, has on her hands in Manchuria a stupendous problem of pacification. In an area of nearly 400,000 square miles, where the Chinese population outnumbers the Japanese a hundred to one, the Chinese military have scattered into guerrilla bands, and the Chinese bandits, who are not easily distinguishable from soldiers, have added their support, to keep the Japanese army unceasingly on the move. The Chinese mercenaries employed as Manchukuo forces are not to be trusted to fight honestly for Tokyo any more than they would fight honestly for Nanking.

The most recently reported disorders are along the section of the Chinese Eastern from Angangki to the Russian border around Manchuli. In the last week of September the Chinese mercenaries employed by the Changchun Government mutined because of default in wages. The Japanese on Oct. 5 reported Manchuli as being again normal, but another outbreak had to be dealt with at Angangki, near Tsitsihar, where General Li Haitsing raised the standard of rebellion. From week to week the Japanese report the extermination of large numbers of rebels, but the disorder breaks out the next week somewhere else.

During the Summer banditry was more prevalent than ever before. The peasants were not safe, and, bereft of their animals, seed and even food, deserted their farms in many places and flocked to the villages and towns. More significant was the fact that the railways owned, operated and protected by the Japanese were under almost continual attack. Not only the countryside but the cities are reported to be in a deplorable state of unrest and panic. One of the most sensational of these railway raids was on the Changchun-Harbin express on Sept. 11. The train was derailed; more than one

hundred were reported injured, many robbed, and some kidnapped. This line is a part of the Chinese Eastern, nominally belonging to China and Russia, but connecting the capital of Manchukuo with Harbin. Thus it appears that even in the area where it is to be presumed that the Manchukuo forces are most firmly in control, there is, in fact, no guarantee of order.

Where can the Japanese collect the taxes to support the new government and pacify such a huge area? Where but in Japan, which, loyal to the army though it may be, is already taxed to the limit. Upon the report on Oct. 2 that the Japanese Government might soon issue 2,400,000,000 yen of international bonds to cover the current budgetary deficit, the yen exchange broke 1⅛ cents to 23⅛, par being 49.85 cents.

### *RUSSO-JAPANESE RELATIONS*

The Russo-Japanese tension in Manchuria seems to have virtually disappeared. The Soviet Government is said to be recalling from Siberia the reinforcements which were sent out some months ago. Japan desires no fight with Russia now, nor does Russia desire trouble with Japan, although in Moscow the ascendency of the Japanese military is viewed with concern. The Soviet Consul General in Harbin, according to correspondence made public in Moscow on Sept. 15, almost went out of his way on Sept. 12 to declare to the Manchukuo Commissioner that "there can be no doubt that the Chinese Eastern is the property of the Soviet Government," but the tone of the whole correspondence is reported as having been conciliatory. Watchful waiting appears to be the cue in Moscow.

Meanwhile Kojiro Matsukata, acting on behalf of Japanese oil interests, not for the government, so it is alleged, has made a deal in Moscow for the barter of 100,000 tons of oil annually in return for fishing equipment from Japan. It is further reported that another and larger Japanese corporation has decided to send a director to Moscow to negotiate for much larger supplies of Baku oil. While oil is an essential military supply, it may be pointed out that these alleged efforts of Japan to secure more oil from Russia do not certainly mean increased military preparation in Japan. They can be explained by the desire to take advantage of the currency situation to secure supplies cheaper than they can be obtained in California. On the other hand, such negotiations quite clearly indicate that in neither Moscow nor in Tokyo is there any expectation of war between the two States. It is persistently rumored that Moscow would recognize Manchukuo in return for a non-aggression pact with Japan, but that the Japanese military leaders are unwilling to pay so high a price.

### *ESPIONAGE FEARS IN JAPAN*

That the Japanese people, excited by a public press which is not only heavily censored but also intimidated by the military, are in a condition approaching hysteria was evident from the National City Bank spy scare, which raced through the islands early in September. Japanese newspapers carried charges that the American bank had been making photographs of business buildings for the possible use of the United States military authorities. Officials of the bank explained that the photographs were taken in obedience to instructions from the New York office to be used to illustrate the business and industrial development of Japan.

The American Ambassador, Joseph C. Grew, on Sept. 10 called at the Foreign Office and asked the government to issue a statement repudiating the press charges. If the Japanese Government ever acceded to the Ambassador's request, the fact appears to have escaped the notice of the newspaper correspondents. The spy

scare spread in the sensational press and came to include such fantastic charges as that American air bases are being established in the Aleutian Islands, and that bombing planes were being lent to the Chinese Army at Hangchow. The specific underlying substance for the resentment of Americans appears to have been that the American fleet, despite popular Japanese protest, remains in the Pacific for this Winter, and will not be dispersed. "On Sea, Land and Air, America Provokes Japan," ran one headline.

### *OUR FAR EASTERN POLICY*

It is not surprising, in view of the hysterical condition in Japan, that the references to the Far East in Secretary Stimson's speech in Philadelphia on Oct. 1, reviewing the foreign policies of the Hoover Administration, should have provoked still further resentment from the Japanese press and even in the Foreign Office. The speech added nothing to what was covered in Mr. Stimson's address of Aug. 8, except fuel to the flames. It was in fact characterized by restraint, and the phrasing disclosed the probable embarrassment of the speaker in being required to handle the subject at all in a speech designed for the purposes of an election campaign. That the Secretary in the speech claimed for his, or the President's, policy rather more support than is warranted by the facts is evident. On the other hand, given time and a spirit of compromise such as the American Government in the end has uniformly shown in dealing with Far Eastern questions, it ought to be possible to effect a compromise between the reiterated American policy and the proposals of the Lytton report which would permit the establishment at Geneva of a fairly united front against Japan. The American principle could be restated in such a way that it would at least present no obstacle to a satisfactory settlement.

# The Lytton Report: Summary and Text

THE report of the League of Nations Commission on Manchuria—the Lytton report—was issued simultaneously in Geneva and Washington on Oct. 2, 1932. It is 100,000 words in length and consists of an introduction and ten chapters.

The commission was selected by the League Council to act on the resolution of Dec. 10, 1931, which provided for "an examination of the issues between China and Japan, which were referred to the Council, including their causes, development and status at the time of the inquiry," and "a consideration of a possible solution of the Chino-Japanese dispute which would reconcile the fundamental interests of the two countries."

The members of the commission were Count Aldrovandi-Marescotti of Italy, General of Division Henri Claudel of France, the Earl of Lytton of Great Britain (chairman), Major Gen. Frank Ross McCoy of the United States and Dr. Heinrich Schnee of Germany.

### CHAPTER I

In Chapter I the commission compares China's problems with those Japan first experienced when opened to entry by foreigners, but assimilation by the Chinese has been more gradual and the problems "much more difficult." The commission also recognizes the peculiar situation due to the existence of Chinese war lords who "never took the position that war against the Central Government was an act of rebellion." Another complication is that of banditry "which may be traced throughout the history of China." But these conditions no longer menace the authority of the Central Government; instead, there is a new menace which had its origin in China in 1921—communism. Communism "has become an actual rival of the National Government" and the problem "is thus linked with the large problem of national reconstruction." While this constitutes an international problem, Japan "has suffered more than any other power from the lawless conditions described in this chapter." Japan has felt called upon to intervene in China in repeated instances and "such action was bitterly resented by China." International cooperation

alone is seen as the cure for the unsettled conditions in China.

## CHAPTER II

In Chapter II Manchuria's population is given as 30,000,000, of whom 28,000,000 are said to be Chinese or assimilated Manchus; 150,000 Russians are said to be in this territory, principally at Harbin and along the Chinese Eastern Railway.

The report holds that while Marshal Chang Tso-lin declared independence for Manchuria at various times this "never meant that he or the people of Manchuria wished to be separated from China." These actions are compared with those of any other war lord, during which "Manchuria remained an integral part of China." Even after Marshal Chang Tso-lin's death, his successor, Chang Hsiao-liang, perpetuated the policy of allegiance to China and accepted the position as Commander-in-Chief of the Northeastern frontier army. This brought about a closer union with Chinese movements that resulted in actions prejudicial to the interests of Japanese and other foreigners.

As control of Manchuria rested more on the power of its armies than on the alliance with the Central Government 80 per cent of all public expenditures there are for military purposes, including the maintenance of an army of 250,000. "Nepotism, corruption and maladministration continue to be the unavoidable consequences of this state of affairs," but this "was not peculiar to Manchuria, as similar or even worse conditions existed in other parts of China."

Sino-Soviet agreements entered into in 1924 "shattered the basis of Russo-Japanese understanding and cooperation in Manchuria. This fundamental reversal of policy radically changed the relations of the three powers in the Far East." The attitude of the Soviet Government gave a strong impetus to China's nationalistic aspirations, and this revived all the old anxieties and suspicions of Japan toward Russia. "The likelihood of an alliance between the Communist doctrines in the north and the anti-Japanese propaganda of the Kuomintang in the south made the desire to impose between the two a Manchuria which should be free from both increasingly felt in Japan. Japanese misgivings have been still further increased in the last few years by the predominant influence acquired by the U. S. S. R. in Outer Mongolia and the growth of communism in China."

## CHAPTER III

After a review of various Sino-Japanese treaties regarding Manchuria and of the many complications in the situation, the report in Chapter III states that the conflicts are between fundamental interests. Japan has a "vested interest" in Manchuria, which was hardly disturbed by the Nine-Power treaty drafted by the Washington conference in 1922 in which was laid down the policy guaranteeing the integrity of China and the policy of the "open door." Manchurian railway policies "are largely railway politics." Many pages are devoted to this railway situation, which was promising to reach a solution until all conferences were terminated by the opening of hostilities.

Another point of contention cited is that of Koreans who, the Japanese charge, have been oppressed and victimized by the Chinese. On the other hand, the commission found a view prevalent among the Chinese that Koreans have been compelled to migrate into Manchuria by Japan and deny that the restriction of free settlement by Koreans constitutes "oppression."

The origin of hostilities in September, 1931, is traced primarily to the slaying of Captain Nakamura of the Japanese Army in an out-of-the-way region of Manchuria in mid-Summer of 1931. He was shot by Chinese soldiers. The report proceeds:

> The Nakamura case, more than any other single incident, greatly aggravated the resentment of the Japanese and their agitation in favor of forceful means to effect a solution of outstanding Sino-Japanese difficulties in regard to Manchuria. The inherent seriousness of the case was aggravated by the fact that Sino-Japanese relations just at this time were strained on account of the Wanpaoshan affair, the anti-Chinese riots in Korea, the Japanese military manoeuvres across the Tumen River on the Manchurian-Korean frontier and the Chinese mob violence committed at Tsingtao in protest against the activities of the local Japanese patriotic groups.
>
> The claim that there were 300 cases outstanding between the two countries, and that peaceful methods for settling each of them had been progressively exhausted by one of the parties, cannot be substantiated. These so-called "cases" were rather situations arising out of broader issues, which were rooted in fundamentally irreconcilable policies. Each side accuses the other of having violated, unilaterally interpreted or ignored the stipulations of the Sino-Japanese agreements. Each side had legitimate grievances against the other.
>
> In the course of September public sentiment [in Japan] regarding the Chinese questions, with the Nakamura case as the focal point, became very strong. Time and again the opinion was expressed that the policy of leaving so

many issues in Manchuria unsettled had caused the Chinese authorities to make light of Japan. Settlement of all pending issues, if necessary by force, became a popular slogan.

## CHAPTER IV

The commission in Chapter IV finds that, hostilities being inevitable, the tension was increased by "vigorous speeches of the Japanese War Minister in Tokyo" and "protracted delay by the Chinese authorities in making satisfactory investigation of and redress for the murder of Captain Nakamura." The report goes on:

On the morning of Saturday, Sept. 19, the population of Mukden awoke to find their city in the hands of Japanese troops. * * *

Tense feeling undoubtedly existed between the Japanese and Chinese military forces. The Japanese, as was explained to the commission in evidence, had a carefully prepared plan to meet the case of possible hostilities between themselves and the Chinese. On the night of Sept. 18-19 this plan was put into operation with swiftness and precision. The Chinese had no plan of attacking the Japanese troops, or of endangering lives or property of Japanese nationals at this particular time or place. They made no concerted or authorized attack on the Japanese forces, and the Chinese were surprised by the Japanese attack and subsequent operations. An explosion undoubtedly occurred on or near the railroad between 10 P. M. and 10:30 P. M. on Sept. 18, but the damage, if any, to the railroad did not in fact prevent the punctual arrival of the southbound train from Changchun, and was not in itself sufficient to justify military action. The military operations of the Japanese troops during this night cannot be regarded as measures of legitimate self-defense. In saying this the commission does not exclude the hypothesis that the officers on the spot may have thought they were acting in self-defense.

The events that followed are detailed, and again the commission intimates the belief that Japan may have played too much the rôle of aggressor in the bombing of Chinchow when it states: "The bombing of a civil administration by military forces cannot be justified, and there is some doubt whether the area bombed was in fact as restricted as the Japanese allege."

## CHAPTER V

Events in Shanghai are described in Chapter V much as they were reported in press dispatches when fighting was occuring there, and a résumé of rehabilitation conference is given.

## CHAPTER VI

Chapter VI gives an exhaustive description of events in Manchuria, culminating in the establishment of Manchukuo by the Japanese with the placing of Henry Pu Yi, former "Boy Emperor" of China, in the "Presidency." The commission in its conclusions lays part of the responsibility for the Japanese action in forming Manchukuo at the door of a new aggressive political movement in Japan. The report says:

Since Sept. 18, 1931, the activities of the Japanese military authorities, in civil as well as in military matters, were marked by essentially political considerations. The progressive military occupation of the Three Eastern Provinces removed in succession from the control of the Chinese authorities the towns of Tsitsihar, Chinchow and Harbin, finally all the important towns of Manchuria; and following each occupation the civil administration was reorganized. It is clear that the independencee movement which had never been heard of in Manchuria before September, 1931, was only made possible by the presence of the Japanese troops.

A group of Japanese civil and military officials, both active and retired, who were in close touch with the new political movement in Japan to which reference was made in Chapter IV conceived, organized and carried through this movement, as a solution in Manchuria as it existed after the events of Sept. 18.

With this object they made use of the names and actions of certain Chinese individuals, and took advantage of certain minorities among the inhabitants who had grievances against the former administration.

It is also clear that the Japanese General Staff realized from the start, or at least in a short time, the use which could be made of such an autonomy movement. In consequence they provided assistance and gave direction to the organizers of the movement.

The evidence received from all sources has satisfied the commission that while there were a number of factors which contributed to the creation of "Manchukuo," the two which, in combination, were most effective, and without which, in our judgment, the new State could not have been formed, were the presence of Japanese troops and the activities of Japanese officials, both civil and military.

For this reason the present régime cannot be considered to have been called into existence by a genuine and spontaneous independence movement.

Part 2 of Chapter VI describes the Manchukuo Government and states that throughout the government "Japanese officials are prominent and Japanese advisers are attached to all important departments." The report proceeds:

The program of this "government" contains a number of liberal reforms, the application of which would be desirable not only in Manchuria but in the rest of China; in fact, many of these reforms figure equally in the program of the Chinese Government. In their interviews with the commission, the representatives

of this "government" claimed that with the help of the Japanese they would be able to establish peace and order within a reasonable time, and would thereafter be able to maintain it permanently. They expressed the belief that they would be able to secure the support of the people in time by assuring them an honest and efficient administration, security from bandit raids, lower taxation as the result of reduced military expenditure, currency reform, improved communications and popular political representation.

But after making every allowance for the short time which has hitherto been at the disposal of the "Manchukuo Government" for carrying out its policy and after paying due regard to the steps already taken, there is no indication that this "government" will in fact be able to carry out many of its reforms. To mention but one example, there seem to be serious obstacles in the way of the realization of their budgetary and currency reforms. A thorough program of reforms, orderly conditions and economic prosperity, could not be realized in the conditions of insecurity and disturbance which existed in 1932.

The political and administrative organization of the "government" is such as to give to these [Japanese] officials and advisers opportunities not merely of giving technical advice but of actually controlling and directing the administration. They are doubtless not under the orders of the Tokyo Government and their policy has not always coincided with the official policy either of the Japanse Government or of the headquarters of the Kwantung Army. But in the case of all important problems these officials and advisers, some of whom were able to act more or less independently in the first days of the new organization, have been constrained more or less to follow the direction of Japanese official authority.

This authority, in fact, by reason of the occupation of the country by its troops, by the dependence of the "Manchukuo Government" on these troops for the maintenance of its authority both internally and externally, in consequence, too, of the more and more important rôle entrusted to the South Manchuria Railway Company in the management of the railways under the jurisdiction of the "Manchukuo Government," and finally by the presence of its consuls, as liaison agents, in the most important urban centres, possesses in every contingency the means of exercising an irresistible pressure. The liaison between the "Manchukuo Government" and Japanese official authority is still further emphasized by the recent appointment of a special ambassador, not officially accredited, but resident in the capital of Manchuria, exercising in his capacity of Governor General of the Kwantung leased territory a control over the South Manchurian Railway Company and concentrating in the same office the authority of a diplomatic representative, the head of the consular service and Commander-in-Chief of the Army of Occupation.

**Part 3 of Chapter VI contains this conclusion:**

After careful study of the evidence presented to us in public and private interviews, in letters and written statements, we have come to the conclusion that there is no general Chinese support for the Manchukuo Government, which is regarded by the local Chinese as an instrument of the Japanese.

## CHAPTER VII

Chapter VII contains a study of Chinese boycotts. The commission points out that Japan's interest in Chinese trade is much greater than China's interest in trade with Japan and "hence Japan is the more vulnerable and has more to lose in case of disturbed relations." Thus the weapon is extremely effective when used by China against Japan, as it was in 1931. In 1925 the boycott became virtually a national weapon when the Kuomintang party coordinated and systematized the work of various isolated boycott organizations "and put unreservedly behind the movement the moral and material weight of its powerful party organization." The commission finds that the boycott embittered relations between China and Japan, but declines to pronounce judgment on the question whether the action of Kuomintang in forwarding the boycott movement constituted an act of the government. The report says:

The claim of the government that the boycott is a legitimate weapon of defense against military aggression by a stronger country, especially in cases where methods of arbitration have not previously been utilized, raises a question of a much wider character. No one can deny the right of the individual Chinese to refuse to buy Japanese goods, use Japanese banks or ships or to work for Japanese employers, to sell commodities to Japanese or to maintain social relations with Japanese. Nor is it possible to deny that the Chinese, acting individually or even in organized bodies, are entitled to make propaganda on behalf of those ideas, always subject to the condition, of course, that the methods do not infringe the laws of the land. Whether, however, the organized application of the boycott to the trade of one particular country is consistent with friendly relations or in conformity with treaty obligations is rather a problem of international law than a subject for our inquiry. We would express the hope, however, that in the interest of all States this problem should be considered at an early date and registered by international agreement.

## CHAPTER VIII

Chapter VIII, which discusses economic interests in Manchuria, contains these comments:

The all-important problem at the pres-

ent time is the establishment of an administration acceptable to the population and capable of supplying the last need—namely, the maintenance of law and order.

No foreign power could develop Manchuria or reap any benefit from an attempt to control it without the good-will and whole-hearted cooperation of the Chinese masses which form the bulk of the population, tilling its soil, and supplying the labor for practically every enterprise in the country. Neither will China ever be free from anxiety and danger unless these Northern Provinces cease to afford a battleground for the conflicting ambitions of neighboring powers. It is as necessary, therefore, for China to satisfy the economic interests of Japan in this territory as for Japan to recognize the unalterably Chinese character of its population.

Parallel to an understanding of this kind and in order to allow all interested powers to cooperate in the development of Manchuria, it seems essential that the principle of the open door should be maintained, not only from the legal point of view but also in the actual practice of trade, industry and banking. Among foreign business men in Manchuria other than Japanese there is a fear that Japanese business concerns will try to reap benefit from the present political position by other means than those of free competition. If this fear came to be justified, foreign interests would be discouraged and the population of Manchuria might be first to suffer. The maintenance of a real open door, manifested by free competition in the field of trade, investment and finance, would be in the interest of both Japan and China.

*The complete text of Chapters IX and X, setting forth the main conclusions of the report and recommendations for settlement, follows:*

## CHAPTER IX

### Principles and Conditions of Settlement

In the previous chapters of this report it has been shown that, though the issues between China and Japan were not in themselves incapable of solution by arbitral procedure, yet the handling of them by their respective governments, especially those relating to Manchuria, had so embittered their relations as sooner or later to make a conflict inevitable.

A sketch has been given of China as a nation in evolution, with all the political upheavals, social disorders and disruptive tendencies inseparable from such a period of transition. It has been shown how seriously the rights and interests claimed by Japan have been affected by the weakness of the authority of the central government in China, and how anxious Japan has shown herself to keep Manchuria apart from the government of the rest of China.

A brief survey of the respective policies of the Chinese, Russian and Japanese Governments in Manchuria has revealed the fact that the administration of these provinces has more than once been declared by their rulers to be independent from the central government of China, yet no wish to be separated from the rest of China has ever been expressed by their population, which is overwhelmingly Chinese. Finally, we have examined carefully and thoroughly the actual events which took place on and subsequent to Sept. 18, 1931, and have expressed our opinion upon them.

A point has now been reached when attention can be concentrated on the future, and we would dismiss the past with this final reflection. It must be apparent to every reader of the preceding chapter that the issues involved in this conflict are not as simple as they are often represented to be. They are, on the contrary, exceedingly complicated, and only an intimate knowledge of all the facts, as well as of their historical background, should entitle any one to express a definite opinion about them.

This is not a case in which one country has declared war on another country without previously exhausting the opportunities for conciliation provided in the Covenant of the League of Nations. Neither is it a simple case of the violation of the frontier of one country by the armed forces of a neighboring country, because in Manchuria there are many features without an exact parallel in other parts of the world.

The dispute has arisen between two States, both members of the League, concerning a territory the size of France and Germany combined, in which both claim to have rights and interests, only some of which are clearly defined by international law; a territory which, although legally an integral part of China, had a local administration of sufficient autonomous character to carry on direct negotiations with Japan on the matters which lay at the root of this conflict.

Japan controls a railway and a strip of territory running from the sea right up into the heart of Manchuria, and she maintains for the protection of that property a force of about 10,000 soldiers, which she claims the right by treaty to increase, if necessary, up to 15,000. She also exercises the rights of jurisdiction over all her subjects in Manchuria, and maintains consular police throughout the country.

These facts must be considered by those who debate the issues. It is a fact that without a declaration of war a large area of what was indisputably the Chinese territory has been forcibly seized and occupied by the armed forces of Japan, and has in consequence of this operation been separated from and declared independent of the rest of China.

The steps by which this was accomplished are claimed by Japan to have been consistent with the obligations of the Covenant of the League of Nations, the Kellogg Pact and the Nine-Power Treaty of Washington, all of which were designed to prevent action of this kind. Moreover, the operation which had only

just begun when the matter was first brought to the notice of the League was completed during the following months and is held by the Japanese Government to be consistent with the assurances given by their representative at Geneva on Sept. 30 and Dec. 10.

The justification in this case has been that all the military operations have been legitimate acts of self-defense, the right of which is implicit in all the multilateral treaties mentioned above, and was not taken away by any of the resolutions of the Council of the League. Further, the administration which has been substituted for that of China in the three provinces is justified on the grounds that its establishment was the act of the local population who, by a spontaneous assertion of their independence, have severed all connection with China and established their own government.

Such a genuine independence movement, it is claimed, is not prohibited by any international treaty or by any of the resolutions of the Council of the League of Nations, and the fact of its having taken place has profoundly modified the application of the Nine-Power treaty and entirely altered the whole character of the problem being investigated by the League.

It is this plea of justification which makes this particular conflict at once so complicated and so serious. It is not the function of our commission to argue the issue, but we have tried to provide sufficient material to enable the League of Nations to settle the dispute consistently with the honor, dignity and national interest of both the contending parties. Criticism alone will not accomplish this: there must also be practical efforts at conciliation.

We have been at pains to find out the truth regarding past events in Manchuria, and to state it frankly; we recognize that this is only part, and by no means the most important part, of our work. We have throughout our mission offered to the governments of both countries the help of the League of Nations in composing their differences, and we conclude it by offering to the League our suggestions for securing, consistently with justice and with peace, the permanent interests of China and Japan in Manchuria.

### Unsatisfactory Suggestions of Settlements

(1) *Restoration of the Status Quo Ante*—It must be clear from everything that we have already said that a mere restoration of the status quo ante would be no solution. Since the present conflict arose out of the conditions prevailing before last September, to restore these conditions would merely be to invite a repetition of the trouble. It would be to treat the whole question theoretically and to leave out of account the realities of the situation.

(2). *The Maintenance of "Manchukuo"*—From what we have said in the two preceding chapters, the maintenance and recognition of the present régime in Manchuria would be equally unsatisfactory. Such a solution does not appear to us compatible with the fundamental principles of existing international obligations, nor with the good understanding between the two countries upon which peace in the Far East depends.

It is opposed to the interests of China. It disregards the wishes of the people of Manchuria and it is at least questionable whether it would ultimately serve the permanent interests of Japan.

About the feelings of the people of Manchuria toward the present régime there can really be no doubt; and China would not voluntarily accept as a lasting solution the complete separation of her three Eastern provinces. The analogy of the distant province of Outer Mongolia is not an entirely pertinent one, as Outer Mongolia is bound to China by no strong economic or social ties, and is sparsely inhabited by a population which is mainly non-Chinese. The situation in Manchuria is radically different from that in Outer Mongolia.

The millions of Chinese farmers now settled permanently on the land have made Manchuria in many respects a simple extension of China south of the Wall. The three Eastern provinces have become almost as Chinese in race, culture and national sentiment as the neighboring provinces of Hopei and Shantung, from which most of the immigrants came.

Apart from this, past experience has shown that those who control Manchuria have exercised a considerable influence on the affairs of the rest of China—at least of North China—and possess unquestionable strategic and political advantages. To cut off these provinces from the rest of China, either legally or actually, would be to create for the future a serious irredentist problem which would endanger peace by keeping alive the hostility of China and rendering probable the continued boycott of Japanese goods.

The commission received from the Japanese Government a clear and valuable statement of the vital interests of their country in Manchuria. Without exaggerating the economic dependence of Japan on Manchuria beyond the limits ascribed to it in a previous chapter, and certainly without suggesting that economic relationship entitles Japan to control the economic, still less the political development of those provinces, we recognize the great importance of Manchuria in the economic development of Japan.

Nor do we consider unreasonable her demand for the establishment of a stable government which would be capable of maintaining the order necessary for the economic development of the country. But such conditions can only be securely and effectively guaranteed by an administration which is in conformity with the wishes of the population and which takes full account of their feelings and aspirations. And equally is it only in an atmosphere of external confidence and internal peace, very different from that now existing in the Far East, that the capital

which is necessary for the rapid economic development of Manchuria will be forthcoming.

In spite of the pressure of increasing overpopulation, the Japanese have not as yet fully utilized their existing facilities for emigration, and the Japanese Government has not hitherto contemplated a large emigration of their people to Manchuria. But the Japanese do look to further industrialization as a means to cope with the agrarian crisis and with the population problem.

Such industrialization would require further economic outlets, and the only large and relatively sure markets that Japan can find are in Asia and particularly in China. Japan requires not only the Manchurian but the whole Chinese market, and the rise in the standard of living which will certainly follow the consolidation and modernization of China should stimulate trade and raise the purchasing power of the Chinese market.

This economic rapprochement between Japan and China, which is of vital interest to Japan, is of equal interest to China, for China would find that a closer economic and technical collaboration with Japan would assist her in her primary task of national reconstruction. China could assist this rapprochement by restraining the more intolerant tendencies of her nationalism and by giving effective guarantees that as soon as cordial relations were re-established the practice of organized boycotts would not be revived.

Japan, on her side, could facilitate this rapprochement by renouncing any attempt to solve the Manchuria problem by isolating it from the problem of her relations with China as a whole, in such a way as to make impossible the friendship and collaboration of China.

It may, however, be less economic considerations than anxiety for her own security which has determined the actions and policy of Japan in Manchuria. It is especially in this connection that her statesmen and military authorities are accustomed to speak of Manchuria as "the lifeline of Japan." One can sympathize with such anxieties and try to appreciate the actions and motives of those who have to bear the heavy responsibility of securing the defense of their country against all eventualities.

While acknowledging the interest of Japan in preventing Manchuria from serving as a base of operations directed against her own territory, and even her wish to be able to take all appropriate military measures if in certain circumstances the frontiers of Manchuria should be crossed by the forces of a foreign power, it may still be questioned whether the military occupation of Manchuria for an indefinite period, involving, as it must, a heavy financial burden, is really the most effective way of insuring against this external danger; and whether, in the event of aggression having to be resisted in this way, the Japanese troops in Manchuria would not be seriously embarrassed if they were surrounded by a restive or rebellious population backed by a hostile China.

It is surely in the interest of Japan to consider also other possible solutions of the problem of security, which would be more in keeping with the principles on which rests the present peace organization of the world, and analogous to arrangements concluded by other great powers in various parts of the world. She might even find it possible, with the sympathy and good-will of the rest of the world and at no cost to herself, to obtain better security than she will obtain by the costly method she is at present adopting.

### International Interests

Apart from China and Japan, other powers of the world have also important interests to defend in this Sino-Japanese conflict. We have already referred to existing multilateral treaties, and any real and lasting solution by agreement must be compatible with the stipulations of those fundamental agreements, on which is based the peace organization of the world.

The considerations which actuated the representatives of the powers at the Washington conference are still valid. It is quite as much in the interests of the powers now as it was in 1922 to assist the reconstruction of China and to maintain her sovereignty and her territorial and administrative integrity as indispensable to the maintenance of peace.

Any disintegration of China might lead, perhaps rapidly, to serious international rivalries, which would become all the more bitter if they should happen to coincide with rivalries between divergent social systems.

Finally, the interests of peace are the same the world over. Any loss of confidence in the application of the principles of the Covenant and of the Pact of Paris in any part of the world diminishes the value and efficacy of those principles everywhere.

### Interests of U. S. S. R.

The commission has not been able to obtain direct information as to the extent of the interests of the U. S. S. R. [Soviet Russia] in Manchuria, nor to ascertain the views of the government of the U. S. S. R. on the Manchurian question. But even without sources of direct information it cannot overlook the part played by Russia in Manchuria nor the important interests which the U. S. S. R. have in that region as owners of the Chinese Eastern Railway, and of territory beyond its north and northeast frontiers.

It is clear that any solution of the problem of Manchuria which ignored the important interests of the U. S. S. R. would risk a future breach of the peace and would not be permanent.

### Conclusions

These considerations are sufficient to indicate the lines on which a solution might be reached if the governments of China and Japan could recognize the identity of their chief interests and were willing to make them include the main-

tenance of peace and the establishment of cordial relations with each other. As already stated, there is no question of returning to the conditions before September, 1931. A satisfactory régime for the future might be evolved out of the present one without any violent change. In the next chapter we offer certain suggestions for doing this, but we would first define the general principles to which any satisfactory solution should conform. They are the following:

### Conditions of a Satisfactory Solution

1. *Compatibility with the interests of both China and Japan*—Both countries are members of the League and each is entitled to claim the same consideration from the League. A solution from which both did not derive benefit would not be a gain to the cause of peace.
2. *Consideration for the interests of U. S. S. R.*—To make peace between two of the neighboring countries without regard for the interests of the third would be neither just nor wise, nor in the interests of peace.
3. *Conformity with existing multilateral treaties*—Any solution should conform to the provisions of the Covenant of the League of Nations, the Pact of Paris and the Nine-Power treaty of Washington.
4. *Recognition of Japan's interests in Manchuria*—The rights and interests of Japan in Manchuria are facts which cannot be ignored, and any solution which failed to recognize them and to take into account also the historical associations of Japan with that country would not be satisfactory.
5. *The establishment of new treaty relations between China and Japan*—A restatement of the respective rights, interests and responsibilities of both countries in Manchuria in new treaties, which shall be part of the settlement by agreement, is desirable if future friction is to be avoided, and mutual confidence and cooperation is to be restored.
6. *Effective provision for the settlement of future disputes*—As a corollary to the above, it is necessary that provision should be made for facilitating the prompt settlement of minor disputes as they arise.
7. *Manchurian autonomy*—The government in Manchuria should be modified in such a way as to secure, consistently with the sovereignty and administrative integrity of China, a large measure of autonomy designed to meet the local conditions and special characteristics of the Three Provinces. The new civil régime must be so constituted and conducted as to satisfy the essential requirements of good government.
8. *Internal order and security against external aggression*—The internal order of the country should be secured by an effective local gendarmerie force, and security against external aggression should be provided by the withdrawal of all armed forces other than gendarmerie and by the conclusion of a treaty of non-aggression between the countries interested.
9. *Encouragement of an Economic Rapprochement Between China and Japan*—For this purpose a new commercial treaty between the two countries is desirable. Such a treaty should aim at placing on an equitable basis the commercial relations between the two countries and bringing them into conformity with their improved political relations.
10. *International Cooperation in Chinese Reconstruction*—Since the present political instability in China is an obstacle to friendship with Japan and an anxiety to the rest of the world, as the maintenance of peace in the Far East is a matter of international concern; and since the conditions enumerated above cannot be fulfilled without a strong control government in China, the final requisite for a satisfactory solution is temporary international cooperation in the internal reconstruction of China, as suggested by the late Dr. Sun Yat Sen.

### Results Which Would Follow From the Fulfillment of These Conditions

If the present situation could be modified in such a way as to satisfy these conditions, and embody these ideas, China and Japan would have achieved a solution of their difficulties which might be made the starting point of a new era of close understanding and political cooperation between them. If such a rapprochement is not secured, no solution, whatever its terms, can really be fruitful. Is it really impossible to contemplate such a new relationship even in this hour of crisis?

Young Japan is clamorous for strong measures in China and a policy of thoroughness in Manchuria. Those who make these demands are tired of the delays and pin-pricks of the pre-September period; they are impetuous, and impatient to gain their end. But even in Japan appropriate means must be found for the attainment of every end.

After making the acquaintance of some of the more ardent exponents of this "positive" policy, and those especially who, with undoubted idealism and great personal devotion, have constituted themselves the pioneers of a delicate undertaking in the "Manchukuo" régime, it is impossible not to realize that at the heart of the problem for Japan lies her anxiety concerning the political development of modern China, and the future to which it is tending.

This anxiety has led to action with the object of controlling that development and steering its course in directions which will secure the economic interests of Japan and satisfy strategic requirements for the defense of her empire.

Japanese opinion is nevertheless vaguely conscious that it is no longer practicable to have two separate policies, one for Manchuria and one for the rest of China. Even with her Manchurian interests as a goal, therefore, Japan might recognize and welcome sympathetically the renaissance of Chinese national sentiment; might make friends with it, guide

it in her direction and offer it support, if only to insure that it does not seek support elsewhere.

In China, too, as thoughtful men have come to recognize that the vital problem, the real national problem, for their country is the reconstruction and modernization of the State, they cannot fail to realize that this policy of reconstruction and modernization, already initiated with so much promise of success, necessitates for its fulfillment the cultivation of friendly relations with all countries, and above all with that great nation which is their nearest neighbor.

China needs, in political and economic matters, the cooperation of all the leading powers, but especially valuable to her would be the friendly attitude of the Japanese Government and the economic cooperation of Japan in Manchuria. All the other claims of her newly awakened nationalism—legitimate and urgent though they may be—should be subordinate to this one dominating need for the effective internal reconstruction of the State.

## CHAPTER X

### Considerations and Suggestions to the Council—Suggestions to Facilitate a Final Solution

It is not the function of the commission to submit directly to the Governments of China and Japan recommendations for the solution of the present dispute. But, in order "to facilitate the final solution of existing causes of dispute between the two countries," to quote the words used by M. Briand when explaining to the Council the text of the resolution which originated the commission, we now offer to the League of Nations, as the result of our studies, suggestions designed to help the appropriate organ of the League to draw up definite proposals for submission to the parties to the dispute.

It should be understood that these suggestions are intended as an illustration of one way in which the conditions we have laid down in the preceding chapter might be met. They are mainly concerned with broad principles; they leave many details to be filled in and are susceptible of considerable modification by the parties to the dispute if they are willing to accept some solution on these lines.

Even if the formal recognition of "Manchukuo" by Japan should take place before the report is considered in Geneva—an eventuality which we cannot ignore—we do not think that our work will have been rendered valueless. We believe that in any case the Council would find that our report contains suggestions which would be helpful for its decisions or for its recommendations to the two great powers concerned, with the object of satisfying their vital interests in Manchuria.

It is with this object that, whilst bearing in mind the principles of the League of Nations, the spirit and letter of the treaties concerning China and the general interests of peace, we have not overlooked existing realities, and have taken account of the administrative machinery existing and in process of evolution in the Three Eastern Provinces.

It would be the function of the Council, in the paramount interest of world peace, whatever may be the eventuality, to decide how the suggestions made in our report may be extended and applied to events which are still developing from day to day; always with the object of securing a durable understanding between China and Japan by utilizing all the sound forces, whether in ideals or persons, whether in thought or action, which are at present fermenting in Manchuria.

### Invitation to the Parties to Discuss Settlement

We suggest in the first place that the Council of the League should invite the Governments of China and Japan to discuss a solution of their dispute on the lines indicated in the last chapter.

### An Advisory Conference

If the invitation is accepted, the next step would be the summoning as soon as possible of an Advisory Conference to discuss and to recommend detailed proposals for the constitution of a special régime for the administration of the Three Eastern Provinces.

Such conference, it is suggested, might be composed of representatives of the Chinese and Japanese Governments and of two delegations representing the local population, one selected in a manner to be prescribed by the Chinese Government and one selected in a manner to be prescribed by the Japanese Government. If agreed by the parties, the assistance of neutral observers might be secured.

If the conference were unable to reach agreement on any particular point, it would submit to the Council the points of difference, and the Council would then attempt to secure an agreed settlement on these points.

Simultaneously with the sitting of the Advisory Conference, the matters at issue between Japan and China relating to respective rights and interests should be discussed separately, in this case also, if so agreed, with the help of neutral observers.

Finally, we suggest that the results of these discussions and negotiations should be embodied in four separate instruments:

1. A declaration by the Government of China constituting a special administration for the Three Eastern Provinces, in the terms recommended by the Advisory Conference.
2. A Sino-Japanese treaty dealing with Japanese interests.
3. A Sino-Japanese treaty of conciliation and arbitration, non-aggression and mutual assistance.
4. A Sino-Japanese commercial treaty.

It is suggested that, before the meeting of the Advisory Conference, the broad outlines of the form of administration to be considered by that body should be

agreed upon between the parties, with the assistance of the Council. Among the matters to be considered at that stage are the following:

The place of meeting of the Advisory Conference, the nature of the representation and whether or not neutral observers are desired;

The principle of the maintenance of the territorial and administrative integrity of China and the grant of a large measure of autonomy to Manchuria;

The policy of creating a special gendarmerie as the sole method of maintaining internal order;

The principle of settling the various matters in dispute by means of the separate treaties suggested;

The grant of an amnesty to all those who have taken part in the recent political developments in Manchuria.

When once these broad principles have been agreed upon beforehand, the fullest possible discretion as regards the details would be left to the representatives of the parties at the Advisory Conference or when negotiating the treaties. Further reference to the Council of the League of Nations would only take place in the event of failure to agree.

ADVANTAGES CLAIMED FOR THE PROCEDURE

Among the advantages of this procedure, it is claimed that, while it is consistent with the sovereignty of China, it will enable effective and practical measures to be taken to meet the situation in Manchuria as it exists today, and at the same time allow for such modifications hereafter as the changes in the internal situation in China may warrant.

Notice, for instance, has been taken in this report of certain administrative and fiscal changes which have either been proposed or actually carried out in Manchuria recently, such as the reorganization of provincial governments, the creation of a central bank, the employment of foreign advisers.

These features might be with advantage retained by the Advisory Conference. The presence at the conference of representatives of the inhabitants of Manchuria, selected in some such way as we have suggested, should also facilitate the passage from the present to the new régime.

The autonomous régime contemplated for Manchuria is intended to apply to the three provinces of Liaoning (Fengtien), Kirin and Heilungkiang only. The rights at present enjoyed by Japan in the Province of Jehol (Eastern Inner Mongolia) would be dealt with in the treaty on the subject of Japanese interests.

The four instruments can now be considered seriatim:

1. THE DECLARATION

The final proposals of the Advisory Conference would be submitted to the Chinese Government, and the Chinese Government would embody them in a declaration which would be transmitted to the League of Nations and to the signatory powers of the Nine-Power treaty. The members of the League and the signatory of the Nine-Power treaty would take note of this declaration, which would be stated to have for the Chinese Government the binding character of an international engagement.

The conditions under which subsequent revision of the declaration, if required, might take place would be laid down in the declaration itself as agreed to in accordance with the procedure suggested hereabove.

The declaration would distinguish between the powers of the Central Government of China in the three Eastern provinces and those of the autonomous local government.

POWERS TO BE RESERVED TO THE CENTRAL GOVERNMENT

It is suggested that the powers to be reserved to the Central Government should be the following:

1. The control of general treaty and foreign relations not otherwise provided for; it being understood that the Central Government would not enter into any international engagements inconsistent with the terms of the declaration.

2. The control of the customs, the post-office and the salt gabelle, and possibly of the administration of the stamp duty and the tobacco and wine taxes. The equitable division between the Central Government and the Three Eastern Provinces of the net income from these revenues would be determined by the Advisory Conference.

3. The power of appointment, at least in the first instance, of the chief executive of the government of the Three Eastern Provinces in accordance with the procedure to be laid down in the declaration. Vacancies would be filled in the same way, or by some system of selection in the Three Eastern Provinces, to be agreed upon by the Advisory Conference and inserted in the declaration.

4. The power of issuing to the chief executive of the Three Eastern Provinces such instructions as might be necessary to insure the carrying out of the international engagements entered into by the Central Government of China in matters under the administration of the autonomous government of the Three Eastern Provinces.

5. Any additional powers agreed upon by the conference.

POWERS OF THE LOCAL GOVERNMENT

All other powers would be vested in the autonomous government of the Three Eastern Provinces.

EXPRESSION OF LOCAL OPINION

Some practical system might be devised to secure an expression of the opinion of the people on the policy of the government, possibly through the traditional agency of the chambers of commerce, guilds and other civil organizations.

MINORITIES

Some provision should also be made to

safeguard the interests of White Russians and other minorities.

### GENDARMERIE

It is suggested that a special gendarmerie should be organized, with the collaboration of foreign instructors, which would be the only armed force within the Three Eastern Provinces. The organization of the gendarmerie should either be completed within a period to be specified in advance, or the time of its completion should be determined in accordance with a procedure to be laid down in the declaration. As this special corps would be the only armed force in the territory of the Three Eastern Provinces, its organization, when completed, should be followed by the retirement from this territory of all other armed forces, including any special bodies of police or railway guards, whether Chinese or Japanese.

### *FOREIGN ADVISERS*

An adequate number of foreign advisers would be appointed by the chief executive of the autonomous government, of whom a substantial proportion should be Japanese. The details would be worked out by the procedure described above and would be stated in the declaration. Nationals of small States, as well as of the great powers, would be eligible.

The appointment of two foreigners of different nationalities to have supervision of (1) the constabulary, and (2) the fiscal administration, would be made by the chief executive from a panel submitted by the Council of the League. These two officials would have extensive powers during the period of organization and trial of the new régime. The powers of the advisers would be defined in the declaration.

The appointment of one foreigner as a general adviser to the central bank of the Three Eastern Provinces would be made by the chief executive from a panel submitted by the board of directors of the Bank for International Settlements.

The employment of foreign advisers and officials is in conformity with the policy of the founder of the Chinese Nationalist party, and with that of the present National Government. It will not, we hope, be difficult for Chinese opinion to recognize that the actual situation and the complexity of the foreign interests, rights and influences in these provinces require special measures in the interests of peace and good government.

But it cannot be too strongly emphasized that the presence of the foreign advisers and officials here suggested, including those who during the period of the organization of the new régime must exercise exceptionally wide powers, merely represents a form of international cooperation. They must be selected in a manner acceptable to the Chinese Government and one which is consistent with the sovereignty of China.

When appointed they must regard themselves as the servants of the government employing them, as has always been the case in the past with the foreigners employed in the customs and postal administration or with the technical organizations of the League that have collaborated with China. In this connection the following passage in the speech of Count Uchida in the Japanese Diet on Aug. 25, 1932, is of interest:

"Our own government since the Meiji restoration have employed many foreigners as advisers or as regular officials; their number, for instance, in the year 1875 or thereabout exceeded 500."

The point must also be stressed that the appointment of a relatively large number of Japanese advisers in an atmosphere of Sino-Japanese cooperation would enable such officials to contribute the training and knowledge specially suited to local conditions. The goal to be kept in view throughout the period of transition is the creation of a civil service composed entirely of Chinese which will ultimately make the employment of foreigners unnecessary.

## 2. THE SINO-JAPANESE TREATY

### DEALING WITH JAPANESE INTERESTS

Full discretion would, of course, be left to those who will negotiate the three suggested treaties between China and Japan, but it may be useful to indicate the matters with which it is suggested that they should deal.

The treaty dealing with Japanese interests in the Three Eastern Provinces and with some Japanese interests in the province of Jehol would have to deal principally with certain economic rights of Japanese nationals and with railway questions.

### AIMS OF THE TREATY

The aims of this treaty should be:

1. The free participation of Japan in the economic development of Manchuria which would not carry with it a right to control the country either economically or politically.
2. The continuance in the province of Jehol of such rights as Japan now enjoys there.
3. An extension to the whole of Manchuria of the right to settle and lease land, coupled with some modification of the principle of extraterritoriality.
4. An agreement regarding the operation of the railways.

### JAPANESE RIGHTS OF SETTLEMENT

Hitherto the rights of settlement of Japanese nationals have been confined to South Manchuria, though no definite boundary line between North and South Manchuria has ever been fixed, and to Jehol. These rights have been exercised under conditions which China found unacceptable, and this caused continued friction and conflicts.

Extraterritorial status as regards taxation and justice was claimed both for the Japanese and the Koreans, and in the case of the latter there were special stipulations which were ill-defined and the subject of disputes. From evidence given

before the commission we have reason to believe that China would be willing to extend to the whole of Manchuria the present limited right of settlement, provided it was not accompanied by extraterritorial status, the effect of which, it was claimed, would be to create a Japanese State in the heart of a Chinese territory.

It is obvious that the right of settlement and extraterritoriality are closely associated. It is, however, equally clear that the Japanese would not consent to abandon their extraterritorial status until the administration of justice and finance had reached a very much higher standard than has hitherto prevailed in Manchuria.

Two methods of compromise have suggested themselves. One is that the existing rights of settlement, accompanied by extraterritorial status, should be maintained, and that such rights should be extended both to Japanese and Koreans in North Manchuria and Jehol without extraterritorial status. The other is that the Japanese should be granted the right to settle anywhere in Manchuria and Jehol with extraterritorial status, and that the Koreans should have the same rights without extraterritorial status.

Both proposals have some advantages to recommend them and both have rather serious objections. It is obvious that the most satisfactory solution of the problem is to make the administration of these provinces so efficient that extraterritorial status will no longer be desired.

It is with this object that we recommend that at least two foreign advisers, one of whom should be of Japanese nationality, should be attached to the Supreme Court, and other advisers might with advantage be attached to other courts. The opinions of these advisers might be made public in all cases in which the courts were called upon to adjudicate on matters in which foreign nationals were involved.

We also think that in the period of reorganization some foreign supervision of the administration of finance is desirable, and, in dealing with the declaration, we have presented some suggestions to that effect.

A further safeguard would be provided by the establishment, under the Treaty of Conciliation, of an arbitration tribunal to deal with any complaints which the Chinese or Japanese Governments might bring in their own names or in those of their nationals.

The decision of this complicated and difficult question must rest with the parties negotiating the treaty, but the present system of foreign protection, when applied to a minority group as numerous as the Koreans, who are, moreover, increasing in number, and who live in such close touch with the Chinese population, is bound to produce many occasions of irritation, leading to local incidents and foreign intervention. In the interests of peace it is desirable that this fruitful source of friction should be removed.

Any extension of the rights of settlement in the case of Japanese would apply on the same conditions to the nationals of all other powers which enjoy the benefits of a "most favored nation" clause, provided that those powers whose nationals enjoy extraterritorial rights enter into a similar treaty with China.

### Railways

As regards railways, it has been pointed out in Chapter III that there has been little or no cooperation in the past between the Chinese and Japanese railway builders and authorities directed to achieving a comprehensive and mutually beneficial railway plan. It is obvious that if future friction is to be avoided, provisions must be made in the treaty at present under discussion for bringing to an end the competitive system of the past, and substituting a common understanding as regards freights and tariffs on the various systems.

The subject is discussed in the special Study No. 1, annexed to this report. In the opinion of the commission there are two possible solutions, which could be considered either as alternatives or as stages to one final solution. The first, which is the more limited in scope, is a working agreement between the Chinese and Japanese railway administrations, which would facilitate their cooperation.

China and Japan might agree to manage their respective railway systems in Manchuria on the principle of cooperation, and a joint Sino-Japanese Railway Commission, with at least one foreign adviser, might exercise functions analogous to those of boards which exist in some other countries. A more thorough remedy would be provided by an amalgamation of the Chinese and Japanese railway interests. Such an amalgamation, if it could be agreed upon, would be the true mark of that Sino-Japanese economic collaboration, to secure which is one of the objects of this report.

While safeguarding the interests of China, it would place at the disposal of all the railways in Manchuria the benefit of the great technical experience of the South Manchuria Railway and could be evolved without difficulty from the system which has been applied to the railways of Manchuria in the last few months. It might even pave the way in the future to some wider international agreement which might include the Chinese Eastern Railway.

Though a fairly detailed description of such an amalgamation is to be found in the appendix as an example of the sort of thing that might be done, only direct negotiations between the parties could evolve a detailed scheme. Such a solution of the railway question would make the South Manchuria Railway a purely commercial enterprise, and the security provided by the special corps of gendarmerie, when once this body was fully organized, would enable the railway guards to be withdrawn, thus saving a considerable item of expense.

If this is done, it would be well that special land regulations and a special municipal administration should previ-

ously be instituted in the railway area in order to safeguard the vested interests of the South Manchuria Railway and of Japanese nationals.

If a treaty on these lines could be agreed upon, a legal basis for Japanese rights in the Three Eastern Provinces and in Jehol would have been found which would be at least as beneficial to Japan as the present treaties and agreements, and one which would be more acceptable to China. China might then find no difficulty in recognizing all the definite grants made to Japan by such treaties and agreements as those of 1915, unless abrogated or modified by the new treaty. All minor rights claimed by Japan, the validity of which may be open to dispute, should be the subject of agreement. In case of disagreement resort should be made to the procedure outlined in the Treaty of Conciliation.

### 3. THE SINO-JAPANESE TREATY OF CONCILIATION, NON-AGGRESSION AND MUTUAL ASSISTANCE

It is not necessary to describe in any detail the subject matter of this treaty, of which there are many precedents and existing examples.

Such a treaty would provide for a board of conciliation whose functions would be to assist in the solution of any difficulties as they arise between the governments of China and Japan. It would also establish an arbitration tribunal composed of persons with judicial experience and the necessary knowledge of the Far East. This tribunal would deal with any disputes between the Chinese and Japanese Governments regarding the interpretation of the declaration or of the new treaties and with such other categories of disputes as might be specified in the Treaty of Conciliation.

Finally, in conformity with the provisions for non-aggression and mutual assistance inserted in the treaty, the contracting parties should agree that Manchuria should gradually become a demilitarized area. With this object it would be provided that after the organization of the gendarmerie had been effected any violation of the demilitarized territory by either of the parties or by a third party would constitute an act of aggression entitling the other party, or both parties in the case of a third party attack, to take whatever measures might be deemed advisable to defend the demilitarized territory without prejudice to the right of the Council of the League to take action under the Covenant.

If the Government of the U. S. S. R. desired to participate in the non-aggression and mutual-assistance section of such a treaty the appropriate clauses could be embodied in a separate tripartite agreement.

### 4. SINO-JAPANESE COMMERCIAL TREATY

The commercial treaty would naturally have as its object the establishment of conditions which would encourage as much as possible the exchange of goods between China and Japan, while safeguarding the existing treaty rights of other countries. This treaty should also contain an undertaking by the Chinese Government to take all measures within its power to forbid and repress organized boycott movements against Japanese trade, without prejudice to the individual rights of Chinese consumers.

### COMMENTS

The above suggestions and considerations regarding the objects of the proposed declaration and treaties are submitted for the consideration of the Council of the League. Whatever may be the details of future agreements, the essential point is that negotiations should be begun as soon as possible and should be conducted in a spirit of mutual confidence.

Our work is finished.

Manchuria for a year past has been given over to strife and turmoil.

The population of a large, fertile and rich country has been subjected to conditions of distress such as it has probably never experienced before.

The relations between China and Japan are those of war in disguise, and the future is full of anxiety.

We have reported the circumstances which have created these conditions.

Every one is fully aware of the gravity of the problem which confronts the League of Nations and of the difficulties of the solution.

At the moment of concluding our report we read in the press two statements by the Foreign Ministers of China and Japan, from each of which we would extract one point of the utmost importance.

On Aug. 28 Mr. Lo Wen-kan declared at Nanking: "China is confident that any reasonable proposal for the settlement of the present situation will necessarily be compatible with the letter and spirit of the Covenant of the League of Nations and the anti-war pact, and the Nine-Power treaty, as well as with China's sovereign power, and will also effectively secure a durable peace in the Far East."

On Aug. 30 Count Uchida is reported to have declared at Tokyo: "The government considers the question of Sino-Japanese relations as more important than the question of Manchuria and Mongolia."

We cannot close our report more appropriately than by reproducing here the thought underlying these two statements, so exactly does it correspond with the evidence we have collected, with our own study of the problem, and consequently with our own convictions, so confident are we that the policy indicated by these declarations, if promptly and effectively applied, could not fail to lead to a satisfactory solution of the Manchurian question in the best interests of the two great countries of the Far East and of humanity in general.

# CURRENT HISTORY

*DECEMBER 1932*


# Roosevelt's Victorious Campaign

By E. FRANCIS BROWN

THE American people on Nov. 8 elected Franklin D. Roosevelt President of the United States by a majority, according to early returns, of approximately 7,000,000 votes over his Republican opponent. Governor Roosevelt apparently obtained 472 electoral votes to President Hoover's 59 in one of the greatest political overturns in our history. Before the Democratic landslide Republican Senators and Congressmen with long years of honorable service went down to defeat, while State after State deserted its normally Republican allegiance to elect Democratic Governors and Legislatures.

Governor Roosevelt's amazing victory brought to a close the political campaign of 1932 and also twelve years of Republican rule, but the result was not unexpected. Political soothsayers had long forecast the defeat of the President, and their prophecies had been accepted by the nation since that June day in Chicago on which Mr. Hoover was renominated by his party for a second term. Upon him fell retribution for his own shortcomings and those of his party, but most of all he was forced to bear the brunt of the resentment of many millions of Americans against all whom they have held responsible for the past three years of economic distress and disaster.

The campaign of 1932, like so many in American history, presented few clear-cut issues. Fundamentally this is the result of the party system. However much attention and respect the Socialists and other minorities may claim, there are still only two parties in the United States, the Republican and Democratic, though on all but insignificant matters they represent the same interests. They are alike, too, in being boss-ridden and unscrupulous in many sections of the country, and both display similar elements of discord within themselves. Tammany Hall rules the New York Democracy; the Vare machine is no less complete—or high-minded—in its domination of the Republicans of Philadelphia. In the East the two parties tend to be conservative and to draw support from the industrial and banking groups. In the South the Democrats are extremely conservative and at times reactionary, with the Republican party a negligible quantity. West of the Mississippi both parties contain

progressive members. Possibly because of its association with Woodrow Wilson, the Democratic party is clothed with an aura of liberalism, but its actual record does not justify such beatification. The Republicans, on the other hand, are more frankly conservative in their policies and in the personalities of their candidates. Both parties have been guilty of financial heresy; both have been provincial in their outlook. In short, here are Pickwick's Buffs and Blues campaigning on the issue of the "Ins" versus the "Outs," and the emptiness of that issue the Socialists did not permit the electorate to forget.

Under normal conditions there is in the United States a Republican majority, although in only the three elections since the World War has this majority been large. From 1865 to 1932 the Democrats have held the Presidency only sixteen years; on two occasions, however, their candidate received a popular majority, although failing of election. During the same period the Democrats were in control of the House of Representatives eleven times and of the Senate four times, while they have always been a force in State and municipal politics. Nevertheless, the party is in the minority, and only a tremendous change of heart among the voters, a piling up of Republican blunders, skillful Democratic manoeuvring or the impact of outside forces would place a Democrat in the White House.

In 1928 the Republicans carried the election by an electoral vote of 444 to 87, and Herbert Hoover became President with a majority of more than 6,000,000 votes over his Democratic opponent. Surely the most optimistic Democrat could hardly have expected that at the next election his party would bear away the victory. But the Hoover administration was born under an unlucky star. Within six months of its inauguration the stock market collapsed, and this was the prelude to an economic crisis in the United States and throughout the world. The administration bungled its measures for coping with this situation; it sponsored domestic policies which proved both unpopular and unfortunate, while its members, from the President down, exhibited an unhappy faculty for rubbing people the wrong way.

The first expression of the public attitude toward the Hoover administration came in the 1930 Congressional elections, when the Republican majority in the national House of Representatives was swept away and the Democrats, in coalition with the progressive Republicans, secured control of the Senate. He that runs may read, and from that time the Democrats felt hopeful of victory in 1932. They found allies in the deepening depression, in the continued mistakes of the administration which counterbalanced the beneficial measures which the President put forth to alleviate economic distress, and in the rise of liberalism which expressed the popular loss of confidence in business leaders and their commercial civilization.

The Republican convention at Chicago in June, 1932, met and adjourned in an atmosphere of defeatism. Unquestionably the party leaders were not enthusiastic over having to renominate President Hoover, and they would have liked to find a different man to fill the Vice Presidential chair. But tradition and expediency dictated the renomination of Mr. Hoover, and he insisted that Mr. Curtis, despite his obvious weaknesses, should again be his running-mate. The party's platform, long and sonorous, interested the country but little except for its ambiguous statement on prohibition, a plank which was patently designed to appeal to both wet and dry voters.

A few days later the Democrats convened also in the Stadium at Chicago. In contrast with the discouraged G. O. P., the Democrats were filled with exuberant hopes; already

they imagined they saw the sun of victory breaking through the clouds which had so long hung over their party. For months the nomination for President of Franklin D. Roosevelt, Governor of New York, had been predicted; he had a tremendous lead over his rivals in the number of instructed delegates, and his supporters were well organized. Thus it was no surprise, however much disappointment may have been felt by the public, when Governor Roosevelt received the nomination on the fourth ballot; the only party wound—and that was later healed—was the resentment of Alfred E. Smith, who had been Governor Roosevelt's closest contender. For Vice President the Democrats selected John N. Garner of Texas, who had long been a member of the national House, but whose record as its Speaker was not above reproach.

The conventions were over by July 3, and the remainder of the month was devoted to preparation for the active campaign. Everett Sanders of Indiana was made chairman of the Republican National Committee and thus manager of the campaign to re-elect the President; his Democratic counterpart was James A. Farley of New York. Both parties found difficulty in raising funds, and in the end were obliged to carry on the fight with much smaller amounts than in 1928. At the beginning neither party manifested any great appreciation of the proper strategy to be employed. The prohibition issue was seemingly out of politics, especially after President Hoover, in his speech of acceptance on Aug. 11, admitted that prohibition had been disappointing and advocated resubmission of the Eighteenth Amendment. Apparently the Republicans hoped to attack Roosevelt and his party as "radical," but they soon found that this issue led nowhere. The Democrats, of course, were prepared to accuse the Hoover administration of incompetence and to offer a program of their own for the economic recovery of the nation.

Through the hot Summer weeks corps of speakers were recruited and the final plans, subject to change without notice, were laid. Governor Roosevelt assembled a group of experts—a "brain trust"—to assist him in the preparation of his speeches, for he proposed to carry on a vigorous campaign which would take him into the far corners of the country and during which he would deliver many addresses on present-day problems. But President Hoover, apparently firm in the belief that the dignity of his office forbade much active stumping, planned to address the nation in only a few speeches and to rely for the most part upon the forensic powers of his Cabinet officers.

As in most American Presidential campaigns, the public interest was centred, not on issues, but on the personalities of the candidates. Here there was a sharp contrast. Mr. Hoover, after four years as President, had gained a reputation for reserve and coldness. Stories had circulated about his sensitiveness, his temper, his tactlessness; a witty journalist said that "he was ungenerous to a fault." In public speeches the President spoke monotonously and at great length, while his platform manner was too stiff and formal. In short, the American people found it hard to accept Herbert Hoover as one of them, while his unfortunate association with hard times caused him to be described as the best-hated man in the country. Though Roosevelt was by no means the best-loved, many people voted for him only in order to express their dislike for Hoover.

Governor Roosevelt was almost the exact opposite of Mr. Hoover. In spite of his crippled legs, he presented a robust appearance. His smile and his laugh became famous. He was an excellent campaigner and orator, a man who made people feel that he knew their joys and sorrows and was ready to share them. When he spoke from a train platform he showed an easy presence which appealed to all who

heard him, and if his wife and children were with him, he introduced them to his audience in such a way as to give the gathering the atmosphere of a family party.

Between the two candidates there were other differences. The President for nearly four years had borne the heavy burdens of a nation whose economic life had broken down. The strain and worry of those many months showed in his face and bearing; small wonder that at one of the great rallies during his campaign he was described as "pale and distraught." He had struggled to bring the nation back to normal conditions; he had done his best; and now he was going to the country to discover whether that best was good enough to bring him another term in the White House. Governor Roosevelt's political life, except for his service as Assistant-Secretary of the Navy during the war, had been in New York State, where he was rounding out his second term as Governor. His administrative record was one which aroused debate; yet non-partisan critics were forced to admit that he had governed the State well. The wear and tear of office had not told on him and, very much alive, he looked forward to taking over the responsibilities of the Presidency.

The campaign may be said to have opened on Aug. 11, when President Hoover delivered his speech accepting the nomination. The address was more graceful and forceful than those which the country had come to expect from Mr. Hoover, and it undoubtedly gave a tremendous fillip to his cause. The statement on prohibition was the most important section of the address, but a week later Vice President Curtis in his own speech of acceptance somewhat weakened the President's declaration when he declared his opposition to repeal of the Eighteenth Amendment. Thereafter, except for speeches by Cabinet members and other party workers, the Republican campaign lagged and it was no secret that apathy had settled over the national headquarters.

The Democrats, on the other hand, were extremely active. Governor Roosevelt—his speech of acceptance had been delivered at the close of the Democratic convention — began his campaign with an address at Columbus, Ohio, on Aug. 20. Here he sounded the keynote of his campaign by attacking the record of the Republicans and setting forth his own program for rebuilding the national economy. In later speeches this theme was to be reiterated until the public mind was all but exhausted. After several minor talks before the electorate, the Governor, on Sept. 12, left Albany, N. Y., for a three weeks' swing around the circle. During that time he spoke before thousands in cities and towns of the Middle West and the States beyond the Mississippi. His tour produced none of the untoward incidents which have marred similar swings in other campaigns; instead, Mr. Roosevelt astutely, though none too specifically, presented to his audiences his program for farm relief, railroad rehabilitation, the control of public utilities and tariff reform. In one address after another he managed to appeal to the conservatives as safe and sound and at the same time to please the liberals by championing the "forgotten man" and stricter control of the power trust.

Meanwhile, the Republican party had been awakened to the dangers which confronted it. As Governor Roosevelt was about to begin his tour Maine — a rock-ribbed Republican stronghold — went "hell-bent" for Democracy. All attempts to explain away this political overturn failed to disguise the consternation in the Republican camp. President Hoover himself telegraphed the national chairman urging greater efforts for victory, and it soon became known that the President would take the stump in his own behalf. The significance of the Maine upset was soon reinforced by a series of straw votes which

showed clearly and with reliability that the sentiment of the country was not Republican, and if further weight were needed, it was shortly afforded in the form of gloomy reports from local party managers in widely separated sections of the nation.

Nevertheless, it was Oct. 4 before the President and his party brought up their heavy artillery. On that date Mr. Hoover spoke to the embattled farmers at Des Moines, Iowa; in words filled with feeling he described the administration's fight against the forces "disrupting" American life, told of the struggle to maintain the gold standard and outlined a program for farm relief. Although Republican newspapers hailed this speech as "masterly" and as certain to "turn the tide," the stock market reacted unfavorably, and the President's mention of the gold standard caused the dollar to decline in foreign exchange. Moreover, critics came quickly to see that the proposed farm policy was no different from that which had been discredited during the past few years.

The Des Moines speech did revive the hopes of the Republicans, hopes which were carried higher by formal addresses at Cleveland, Detroit, Indianapolis, Newark, N. J., and New York City later in the month. Seldom, if ever, in American political history has a President taken the stump in his own cause as did Mr. Hoover. In each succeeding appearance the President—who now, it was whispered, was running his own campaign—reviewed the efforts made by his administration to restore prosperity and to avert disasters worse than those already experienced. He defended the protective tariff, attacked the Democrats for their unsavory record in the last Congress, ridiculed many of the assertions of Governor Roosevelt and attacked the latter's program as "vague."

President Hoover in the final days of the campaign again invaded the Middle West, speaking at Springfield, Ill., St. Louis and St. Paul, besides addressing crowds in many cities and towns from the rear of his special train. Following these appearances he journeyed rapidly across the country to cast his ballot in his home town, Palo Alto, Cal. This last swing of the campaign was undoubtedly taken in the hope of arousing some of the old enthusiasm for the Republican party which used to be traditional in the Middle Western and Far Western States of the Union. But Mr. Hoover must have known that in this last throw he stood little chance to win.

The fortnight before election brought the campaigning to a high pitch. It was then that President Hoover did most of his speaking and that Governor Roosevelt made another swing which carried him through the Middle West to St. Louis, thence into the South and finally to New England. His campaign was concluded with mass meetings in Brooklyn and New York City. Amid all the sound and fury of this campaigning, behind all the charges and countercharges, only one issue stood out prominently—the nation's economic plight. Did the Republicans further policies which helped to bring on the depression and then fail to sponsor measures which would restore normal conditions? Would the Democrats be better able to bring about the desired recovery? Governor Roosevelt attempted to weave in the question of liberalism versus conservatism, but it is doubtful whether many voters were touched by this rather philosophical issue. Only the Socialists, who were somewhat "above the battle," found the opportunity to attack the economic issue from what they believed was the fundamental and realistic standpoint.

As the campaign progressed both candidates tended to become more and more partisan, attacking each other with what at times seemed unnecessary bitterness, although without the mud-slinging which made the 1928 campaign so disgusting. The Republicans as part of their strategy raised the spectre of continued hard times—

perhaps even worse—if the Democrats should be victorious, and resorted to another ancient, outworn device—the "recommendation" of Mr. Hoover's candidacy by employers to their employes. Yet these manoeuvres were easily met; the Republicans had led the country into an economic morass —was there any assurance that they could show the way out?

With the general economic issue dominating the debate, prohibition slipped into the background and other domestic questions played only a minor part. Tariff reform, regulation of the power trust, farm relief, methods of unemployment aid—all were present in the campaign, but had little effect on the mass of voters. For a time the question of immediate payment of the bonus plagued the Democrats, but Governor Roosevelt took a belated stand against payment and effectively removed that question from the campaign. And both parties effectively sidestepped any important declaration on foreign policy.

Neither party, of course, could rely wholly upon the speech-making efforts of their candidates to carry the election. For the G. O. P., Secretary Mills, in particular, and Secretary Hurley were the leading auxiliaries to their chief, although most of the other Cabinet officers were also on the hustings. Neither Vice Presidential candidate took a prominent part in the campaign, since both were under a cloud. In the eyes of the public there was little choice between Mr. Curtis and Mr. Garner; the Vice President was believed to be an amiable old party hack, while the Speaker was unattractive because of his appalling leadership of the House Democrats during the last Congressional session. Because of the economic debacle, business leaders were not in a position to help either party on the stump, a loss which the Republicans felt keenly along with the irritating silence of that 1928 warrior, Senator Borah. Charles Evans Hughes, now Chief Justice of the United States Supreme Court, was, of course, unable to enter the campaign as he had four years ago. Senators, Congressmen and party workers played their parts, but none compared in importance with the aid given to their respective parties by former President Coolidge and Alfred E. Smith.

President Coolidge in *The Saturday Evening Post* for Sept. 10 presented the Republican case at length and gave his benediction to the cause. Gossip held that he had expected this would be his only part in the campaign, but he was prevailed upon, when the party's hopes were at lowest ebb, to speak at a Republican mass meeting in New York City on Oct. 11. Before an audience which partly filled Madison Square Garden the former President in his terse phraseology once again stated the case for support of the Republican ticket and in a none too whole-hearted fashion urged President Hoover's re-election. Thereafter, except for a radio address on the evening before election day, he was silent.

Alfred E. Smith, who had from the first made known his dislike for the Presidential ambitions of Franklin D. Roosevelt, sulked in his tent during the weeks following the Democratic convention. Mr. Smith, however, was too good a Democrat to remain totally estranged. In the October issue of *The New Outlook,* of which he is editor-in-chief, he discussed the position of the Democratic party and prophesied victory at the polls on Nov. 8. Soon after, at the New York State Democratic convention, he found himself allied with Governor Roosevelt against the leaders of Tammany Hall and there the two men became reconciled. Immediately afterward it was announced that Mr. Smith would stump for Roosevelt. Smith's loyalty to the party was thus attested and during the final two weeks of the campaign he spoke simply but vividly to many thousands in New Jersey and the New England States, rendering most valuable service to the party of

which he had once been the standard bearer.

As the campaign progressed, the Roosevelt banner attracted many Republican liberals and progressives. Some of them were little known, but the names of Senator Hiram Johnson of California, Senator George W. Norris of Nebraska and the Wisconsin La Follettes gave added strength to Roosevelt's professed liberalism and unquestionably brought him many votes from the bailiwicks which they controlled. Their support may have helped to convince the East that Roosevelt was "radical," but in the end that counted for little, since so outstanding an industrialist as Owen D. Young gave his support to Roosevelt, while the National City Bank in its monthly bulletin declared that neither the election of Mr. Hoover nor of Mr. Roosevelt would be harmful to business.

Every national election is affected by local political conditions and in this respect that of 1932 was particularly notable. With the national administration generally unpopular and many of its policies unacceptable in various sections of the country, it was but natural that Republican candidates for State and local offices should attempt to dissociate themselves as much as possible from the national ticket. Moreover, many of these men were fighting for their political lives and could spare no energy to help the administration's quest for re-election. So the phenomenon was witnessed of Republicans campaigning for office but without calling on the name of their leader in Washington.

Of more importance, probably, were the divisions within both parties which weakened them at the polls. In Massachusetts the Democrats were split into two factions—the followers of Roosevelt and of Alfred E. Smith. While apparently the rift between these men had been closed, it was only after Mr. Smith addressed his followers in Boston that they were persuaded to vote for Governor Roosevelt. In Connecticut the Republicans were afflicted by a wet-dry division, but neither were the Democrats entirely harmonious. In New York State, as a result of the Walker case and Mr. Roosevelt's support of a candidate for the Governorship who was disliked by Tammany, the Wigwam was none too loyal to the national Democratic ticket. If the scene were shifted to the West Coast, the political situation in California was found to be equally complicated. There the difficulty arose from the independent Senatorial candidacy of one Bob Shuler, a popular evangelist of Los Angeles, who was running as a dry and threatening to upset the political apple-cart in that State.

In looking at local political conditions, one must also bear in mind the power of the press. Except in the South the Democrats are generally weak in newspaper support. The independent provincial papers are more often than not Republican and the news stories which appear in their columns are Republican in point of view. On the other hand, in California, a normally Republican State, the party this year was without an adequate press, since William Randolph Hearst, who dominates the newspapers of that State, supported the Democratic candidate.

The outcome of the election was freely prophesied in the closing week of the campaign. The assaults of the party chieftains upon one another had little effect upon the electorate, which, though still willing to attend political rallies, was worn out by political news in the press and the radio broadcasts of speeches. Sentiment became general that the Republican cause was lost, and a telling blow was struck by the announcement on Nov. 4 of *The Literary Digest* poll, which gave Governor Roosevelt a three-to-two lead over President Hoover and indicated that the Democrats might carry forty-one States.

The Democratic victory can be explained on many grounds. The chief

factor, without doubt, was the economic crisis, for which, rightly or wrongly, President Hoover and his party were blamed. On this point it was difficult to convince the voters that the Republicans' hands were clean, although Mr. Hoover and his colleagues strove manfully to do so. But there were many less important factors in the campaign whose combined effect cannot be ignored. Mr. Hoover was not popular with the mass of the American people; Mr. Roosevelt appealed as a heartier, more likable person. The Hoover administration from its beginning estranged one important group after another. The President's stand on the bonus and the treatment of the B. E. F. alienated the majority of war veterans; labor refused its support to the administration, in part because the Secretary of Labor in the Hoover Cabinet was anathema to labor leaders. Moreover, the administration succeeded in drawing the opposition of both the wets and drys because of its stand on prohibition. And the catalogue might be carried much further. On most of these counts, of course, Governor Roosevelt's record was clean.

Perhaps most serious of all, from President Hoover's point of view, was the listlessness of his own party. Short of funds, on the defensive from the beginning, the Republicans could have won only by a brilliant, dashing sort of campaign—and it was anything but that. President Hoover's speeches were too frequently uninspired. For example, he appeared in New York City on Oct. 31 for what had been heralded as the most important speech of his campaign; the public who listened to that address, or read it the next morning, discovered it to be the weakest utterance the President had made. In his campaigning, as throughout his administration, the President apparently was handicapped by poor advice, and to this must be added his own inability to stir the minds and souls of men.

In contrast to the Republicans, the Democrats were constantly on the offensive and gave every appearance of being confident of victory. Governor Roosevelt may have indulged in too many glittering generalities in his numerous speeches, but generalization was politically wise. Exuberant in spirit, he filled his hearers with hope that the "new deal" which he promised them would become fact. To his support came industrial leaders like Owen D. Young, prominent figures of the old Wilson days like Newton D. Baker and Senator Carter Glass, and, above all, that man of the people, Alfred E. Smith. Such an attack the Republican party in its discouragement was wholly unable to withstand.

The day after the election the final returns were still awaited, but from the beginning of the count Governor Roosevelt's victory had been apparent and President Hoover conceded his rival's success a few hours after the closing of the polls. Mr. Hoover apparently carried only the States of Connecticut, Delaware, Maine, New Hampshire, Pennsylvania and Vermont. Preliminary results showed the following electoral vote:

| | Roosevelt | Hoover | | Roosevelt | Hoover |
|---|---|---|---|---|---|
| Ala. | 11 | .. | Nev. | 3 | .. |
| Ariz. | 3 | .. | N. H. | .. | 4 |
| Ark. | 9 | .. | N. J. | 16 | .. |
| Cal. | 22 | .. | N. M. | 3 | .. |
| Col. | 6 | .. | N. Y. | 47 | .. |
| Conn. | .. | 8 | N. C. | 13 | .. |
| Del. | .. | 3 | N. D. | 4 | .. |
| Fla. | 7 | .. | Ohio | 26 | .. |
| Ga. | 12 | .. | Okla. | 11 | .. |
| Idaho | 4 | .. | Ore. | 5 | .. |
| Ill. | 29 | .. | Penn. | .. | 36 |
| Ind. | 14 | .. | R. I. | 4 | .. |
| Iowa | 11 | .. | S. C. | 8 | .. |
| Kan. | 9 | .. | S. D. | 4 | .. |
| Ky. | 11 | .. | Tenn. | 11 | .. |
| La. | 10 | .. | Texas | 23 | .. |
| Maine | .. | 5 | Utah | 4 | .. |
| Md. | 8 | .. | Vt. | .. | 3 |
| Mass. | 17 | .. | Va. | 11 | .. |
| Mich. | 19 | .. | Wash. | 8 | .. |
| Minn. | 11 | .. | West Va. | 8 | .. |
| Miss. | 9 | .. | Wis. | 12 | .. |
| Mo. | 15 | .. | Wyo. | 3 | .. |
| Mont. | 4 | .. | | | |
| Neb. | 7 | .. | Total | 472 | 59 |

The election gave the Democratic party control of both houses of Congress. On the basis of the early re-

turns the Democrats obtained 232 seats in the House, the Republicans 112, while 91 seats were still in doubt. The new Senate will contain 54 Democrats, 34 Republicans, 1 Farmer-Laborite, but 7 seats were undecided. Among the prominent faces that will disappear from the Senate are the Republican leaders, Senator Hiram Bingham of Connecticut, George H. Moses of New Hampshire, James Watson of Indiana and Reed Smoot of Utah. As part of the avalanche Democratic Governors were swept into office. Apparently the Republicans will hold no more than ten Governorships, possibly only six. When the final returns are in, State changes are likely to be even more striking than on the morning after election.

To most observers, the campaign of 1932 will seem important, not for the determination of the issue as between Republicans and Democrats, but for the rise to prominence and respectability of the Socialist party. In 1928 the party's candidate polled only 267,420 votes; this year the figure promised to be 1,000,000 or more. Throughout the campaign Norman Thomas carried the Socialist message to many parts of the country; he spoke to large audiences and received considerable attention from the nation's press. In the end his efforts seemed likely to bring the largest vote yet given to a Socialist candidate for President. Undoubtedly part of that vote was in protest against the candidates of the two major parties, but that a Socialist could obtain so many votes in an American election is a tribute to Mr. Thomas and, more important, an evidence of the growing discontent of many Americans with the established order of things. Possibly as a result of this vote much of the liberal legislation which has been so long delayed will at last be enacted. Possibly, also, the country is about to witness the rise of an American liberal party.

At short range it is difficult to interpret the significance of the 1932 campaign. The similarity between the two parties makes the outcome relatively unimportant, however great may be the immediate psychological effect on the country. Presumably with the Democrats in control at Washington the people of the United States may expect a somewhat less conservative administration; they may hope for the carrying out of desirable policies inspired by the return of the older party to power. Governor Roosevelt made many promises in his campaign; many of them he will be unable to carry out, but even if only part of them are fulfilled, the country should not be disappointed and at the end of his administration should be ready to give him the accolade which, in the words of Seneca, a poet bestowed on another Democratic President—he "kept his rudder true."

# Where Britain and America Disagree

*By* J. M. KENWORTHY

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ON the state of Anglo-American relations largely depend the future peace and welfare of mankind. This is a truism on both sides of the Atlantic. Yet no greater mistake can be made than the easy assumption that the two democracies work harmoniously together. There is danger of much harm resulting from talk of "Hands Across the Sea" by well-meaning sentimentalists without the solid foundation of a common policy toward world problems. The mutual feeling is not good now, and a disservice is done by not recognizing the fact frankly. Better to seek the causes of this present suspicion and distrust and endeavor to remove them.

On five major issues there is serious divergence between British and American policy and practice. Before enumerating them I would like to enter a caveat against the assumption that the policy of the present British Government at Westminster necessarily represents the desires of the British people. The present National Government was elected under abnormal circumstances. It is an unnatural alliance, with discordant elements. The Conservatives and imperialists are in a dominating position. The present British Parliament, with the greatest Conservative majority on record, was elected by an apprehensive nation vaguely alarmed by the departure of Great Britain from the gold standard and the financial crisis which led up to this financial change. The British electoral system allows an exaggerated value in Parliament to result from a majority vote in the country. Thus, twice as many votes cast for the National Government are represented by ten times as many members of Parliament pledged, more or less, to support it. On the various items of policy to which I shall refer there is, in each case, a strong body of opinion opposed to that of the official government.

It is necessary also to note that in Great Britain there are two governments, the visible and the invisible. The visible government consists of the Cabinet, nominally appointed by the King and responsible to Parliament. It accepts the praise or blame for the success or failure of the policies it pursues. But these policies are not always initiated by the government itself. The civil service, and especially certain departments of it, is in an exceptionally powerful and semi-independent position. Loyal, honest and, on the whole, competent, these departments nevertheless pursue, or attempt to pursue, traditional lines of policy irrespective of the views of the political government temporarily in power. Thus the British Admiralty, probably the most powerful department of State, with strong backing from the court, society and the British governing class generally, will always endeavor, by hook or by crook, to maintain British sea power in a dominating position and to resist any weakening of that power, either by straightforward reductions of armaments or, indirectly, by curtailing the belligerent rights of the British Navy on the high seas in time of war.

The Foreign Office, during the last twenty-five years, has maintained a steady policy of working as closely as possible with the French diplomatic service in Europe and of keeping on the most friendly terms possible with Japan in Asia. If the Foreign Secretary of the day is an exceptionally strong and well-informed man he will impose his views and the views of his Cabinet colleagues on the department. If for any reason his position is weak, he finds it extremely difficult to pursue any policy at Geneva, Paris, Washington or Tokyo that is not in harmony with the views of his permanent advisers at home and the King's Ambassadors and representatives abroad.

A similar state of affairs, though to a lesser degree, exists in the India Office, the War Office, the Air Ministry and the Treasury. To cite an example of the strength and persistence of the Treasury policy, it is the desire of the present political government in London, acting under the pressure of the business interests of the nation, to avoid a return to the gold standard until, at any rate, certain conditions for its future operations are agreed upon. The view of the Treasury, working hand in hand with the virtually independent Bank of England, is that there is no alternative to the gold standard and, this being the case, the sooner Great Britain reverts to it the better. It is common knowledge that there is a subterranean conflict in progress at the present time between the political Cabinet and the extremely powerful Treasury and its allies in "the City" (the London equivalent of Wall Street).

In considering, therefore, certain events of the post-war period, including the most recent happenings and their effect on Anglo-American relations, it must be remembered that the sayings and aspirations of the politicians in London will not necessarily be translated into action by the government departments concerned. To take one more example, at every disarmament conference since the end of war, whether it was the Naval Conference at Washington in 1921, Geneva in 1927, London in 1929-30 or the World Disarmament Conference at Geneva this year, the naval, military and aeronautical experts have been strong enough to sprag the wheels and prevent the politicians running away with the coach along the road to substantial reductions of weapons.

To return to the main factors which have affected and which, no doubt, still affect Anglo-American relations, and which must be taken cognisance of and dealt with if these relationships are to be improved, the most important of these is British and American policy in the Far East with relation to Japan and China. The other main factors, not necessarily in order of importance, are international debts, world economics (including financial and monetary policy, preferences and tariffs), disarmament, particularly as it affects relative naval strengths, and Ireland.

That there is wide divergence between British and American policy and practice in the Far East is, unfortunately, too true. The United States has pursued a steady policy in Asia of endeavoring to secure the open door and equal commercial rights for all nations in China and the protection of the integrity and sovereign independence of China. When American nationals and their property have been threatened by unrest and disorder in China, American armed forces, principally naval, have collaborated with the Japanese and the European powers in defending foreign rights and citizens. But the disorders in China, since the overthrow of the Manchu dynasty, have not caused American policy to swerve from its fixed bearings. This policy led directly to the Pacific Conference of 1922 and

its resulting Nine-Power treaty safeguarding China's sovereignty, which was ratified by both Great Britain and Japan. The Kellogg-Briand pact for the outlawry of war as an instrument of national policy still further buttressed, in theory at any rate, China's sovereignty.

Manchuria has been officially recognized by both Great Britain and the United States as an integral part of the Chinese Republic. Yet when the first serious test arrived, joint action between the other powers that had signed the Pacific treaty was lacking. It is outside the scope of this article to refer to the other European signatories and the reasons for their attitude, but naturally it came as a surprise to American opinion to find Great Britain apparently so tender to Japanese susceptibilities and so sympathetic to the Japanese policy of expansion on the mainland of Asia as to refrain from making immediate protest in the strongest possible terms.

The official British apologia is that Great Britain is also bound by the covenant of the League of Nations and the government considered it more expedient to act through the League. But obviously some further explanation is required beyond this official one. Why is it that Great Britain did not join in a note in September, 1931, when the mischief began? If, when the Japanese first seized Mukden and before the military party had taken complete control of the Japanese Government, the two great English-speaking peoples had called a halt, all the subsequent trouble might well have been avoided. The British certainly acted with more firmness when Japan followed up with her action at Shanghai. This was a clearer case, and the cynical will observe that British commercial interests in the Yangtse Valley, of which Shanghai is the great outlet and clearing port, are of great importance. And, sure enough, the Japanese made some semblance of retreat at Shanghai. Further, Great Britain had supported the League in sending the Lytton commission, the chairman of which, a former Governor of Bengal, is a member of the House of Lords. But a large portion of the British press, and at least one of the great political parties in Great Britain, have either supported or excused the Japanese proceedings in Manchuria.

What lies at the back of this pro-Japanese policy? The Anglo-Japanese Alliance was not renewed ten years ago, partly as a deliberate policy of improving Anglo-American relations, partly to meet the wishes of Australia, where there is much anti-Japanese feeling for reasons similar to the apprehensions felt in the State of California. As noted above, it has been the fixed policy of the British Foreign Office to maintain a virtual alliance with Japan and to work in the closest possible cooperation with Tokyo. But even the British Foreign Office must move with circumspection and be assured of public backing at home. And that there is some sympathy for Japan among the British public, even in the present situation, is true.

It is as well for American observers and students to realize the underlying causes for this sympathy. The original Anglo-Japanese treaty was entered into by a Conservative Government at the beginning of the present century when the late Marquis of Lansdowne was at the Foreign Office, because of fear of Russia. This was before the Anglo-Russian understanding which followed the Anglo-French Entente, both of them being preliminaries and, indeed, preparations for the World War, which even then was considered by many as inevitable.

This departure from Great Britain's formerly fixed policy of avoiding entangling alliances had to be explained to the British people. It was not politic to confess to the fear of a

Russian advance toward the Indian frontier, which was the real underlying cause. The Japanese were therefore described in the most glowing terms of compliment and flattery by every possible means of official propaganda. They were an island and maritime people like the British, with all the virtues and none of the vices of the older powers. Not only had the Japanese modernized their national life but, so the British were told, Japan was a model State and their natural ally. The older generation in Great Britain today had their then flexible minds formed by this propaganda, and a great deal of this pro-Japanese sentiment has survived. It was strengthened and reinforced by Japan's attitude and action in the World War. The Japanese military caste were pro-German almost to a man, but the navy was pro-British and, between the two, court and diplomatic influence swung Japanese opinion over to the Allies. Japan performed valuable services in the World War almost from the very beginning, and this has not been forgotten.

There are other reasons for British sympathy for Japan. The British governing class, taken as a whole, is militaristic and imperialistic. So is the governing class in Japan. There is natural sympathy between them so long as they do not get in each other's way. Japan is ruled by a hereditary monarchy and an aristocracy, and so in theory is Britain. It is a case of deep calling the deep. A little of the apprehension of some future Russian advance toward India, either by actual invasion of territory or by the subtle but more powerful weapon of propaganda still actuates the minds of many persons of importance in British governing circles. And there remains, therefore, something of the motive which inspired the original Anglo-Japanese Alliance. Again, there is a certain school of thought in Great Britain, not without importance behind the scenes of government, who remember the past Japanese pressure for equal rights of entry into Australia, and fear its renewal in the future. The elders of this school of thought consider that if Japan is kept busy in China and Manchuria future danger of pressure for free Japanese settlement in Northern Australia will be removed. Finally, certain British financial and mercantile interests are tired of the continuing disorder in China and regard the Japanese as a convenient police for the restoration of order and good government. They overlook the fact that, once the Japanese obtain a secure footing in Asiatic territory, it is extremely difficult for any merchants not Japanese to do business there.

All these motives taken together make up a formidable volume of opinion in Great Britain in acting as a drag on any positive attempt to check Japanese aggression in Asia. In any case, there are the timid who fear possible complications and think it better to leave the Japanese and the Chinese to fight out their own quarrel. Nevertheless, the English chairman of the Lytton commission has done his duty and the report is now published to the world. It is a masterly document, studiously moderate in tone, and its conclusions therefore the more deadly. Signed unanimously by the British, American, French, Italian and German members, it sweeps away the whole case of those sections of British opinion which were sympathetic to Japan and immensely strengthens the official attitude of the American Government.

Japanese tactics are now obviously those of delay. The Japanese chiefs were successful in preventing any effective action during October, and they reckoned on the Presidential campaign distracting American opinion during the early part of November. After that they can again fall back on the old excuse that the weather conditions during the Winter

preclude the moving of troops in order that they can hold on till the Spring of 1933.

So far the policy of the somewhat bewildered British Foreign Office has been to acquiesce in these tactics of delay. Sir John Simon, the Foreign Secretary, is certainly following the weak man's road of procrastination. But the British Government will have to come out in the open sooner or later, especially as the French are discovering new virtues in the covenant of the League of Nations. A rearming Germany is reinforcing the policy of that section of Frenchmen who believe in the possibility of collective guarantees for peace as security for France rather than soldiers, airplanes and guns. The French are already cooling toward Japan and would support a united demand for negotiation and Japanese evacuation. If British policy is still faltering, Great Britain will be accused of being a "quitter" and future hopes of Anglo-American collaboration for world peace will be dashed.

However much sympathy the British governing class may feel for Japan, however much the "peace-at-any-price" party may shrink from a policy of firmness, the facts are now so nakedly exposed that a continuation of the British policy as it was before the publication of the Lytton report will be recognized as a condonation of aggression and militarism with evil reactions all over the world.

Yet these policies, and especially the Asiatic policy of the present British Government, both official and unofficial, are bitterly opposed by that great section of opinion in Great Britain which supports the League of Nations, the Kellogg-Briand pact and the sanctity of treaties and regards the maintenance of world peace as the greatest British interest. This section also happens to be most warmly in favor of close American and British collaboration on all major questions of world policy. It comprises the whole of the Labor party and its sympathizers who are not actually members of that party, a large section of the Liberal party and a not inconsiderable proportion of the Conservative party which is Liberal in matters of foreign policy. The excessive caution of the British Cabinet in the Fall of 1931 puzzled and indeed angered all this great body of opinion. And there is a further explanation. When the National Government was formed the Marquis of Reading, a Liberal, accepted the portfolio of Foreign Affairs, but this distinguished statesman and jurist found himself out of sympathy with his Conservative colleagues and only carried on until the general election two months later.

After the general election Sir John Simon replaced Lord Reading at the Foreign Office. With great difficulty he had won a place in the National Government and is now in the uneasy position of a Liberal, with a past Liberal record on Ireland and the World War which was in the best tradition, and yet a member of a government dependent for its very life on an overwhelming Conservative majority. Sir John Simon's anxiety to live down his Liberal past is only too obvious. He has been more Conservative than the Conservatives themselves on both disarmament and policy in Asia. And his position has been still further weakened by the withdrawal of the section of Liberals led by Sir Herbert Samuel and the resignation of Lord Snowden. Snowden is only one man, but he enjoys a great prestige and is recognized as a man of principle. He was the "strong man" of three Cabinets. And he is a man of peace.

It is unnecessary to digress at length on another cause of misunderstanding—debts and reparations. In Great Britain there is no real distinction in the popular mind between war debts and reparations. In the Balfour declaration, of twelve years ago, the two were implicitly linked together when a declaration was made on behalf of the British

Government that it was not intended to accept payments of debts and reparations beyond those required to meet Great Britain's own obligations. And these latter, as regards Great Britain, are war debts to one country only, the United States of America. There is a feeling in Great Britain, mostly inarticulate, but none the less important, that the United States should have been more prompt in expunging the debts. This divergence of view was perhaps inevitable as between a country that is a creditor, such as the United States, and one that is both a debtor and a creditor, such as Great Britain.

But it was unfortunate, to say the least, that the Lausanne Conference on debts and reparations was handled in the way it was. There was unnecessary secrecy on the part of the British Government. The impression was created, through the news of the arrangements first reaching America through French sources, that a united European front had been erected against the United States. It has not been the intention of the British people or their government to join any combination directed against America. But the impression, I admit, was created.

So with the unfortunate mishandling of the "Gentlemen's Agreement." British publicists are inclined, however, to place part of the blame on the American Government for not being officially represented at Lausanne. It is also true that the American viewpoint with regard to international indebtedness is insufficiently understood by the British people, and even by their political representatives. And at this point I would venture to express the earnest hope that the forthcoming World Economic Conference will meet in Washington instead of London. True, debts and tariffs are explicitly ruled off the agenda. But it is, broadly speaking, true to say that the American point of view on other important questions is insufficiently appreciated in Great Britain; while the European view, including the British attitude, is not fully understood in the United States. It would be strange if this were not so. Great Britain, through membership of the League of Nations and for other causes, is continually engaged in conferences with the principal European powers. English people travel more on the Continent of Europe than they do in the United States, and though many American citizens visit the British Isles in normal times, more visit France, Italy and other European countries. The holding of the Economic Conference in Washington would inform the British representatives more closely of American public opinion; while the European case, including the British case, would be presented at first hand.

With regard to the main questions to be discussed at this forthcoming conference, namely, currency, exchanges and monetary problems, the principal divergence here is with regard to the gold standard. It is the fixed policy of the financial advisers of the United States Government to remain on the gold standard. Great Britain is off the gold standard, but there are two very distinct points of view regarding our return to it, of which I gave a hint above. The Governor and Court of Directors of the Bank of England and the Treasury are in favor of a return to the gold standard, even at a lower parity of the pound sterling, at the earliest possible moment. The industrialists generally, especially those engaged in the export trade, the trade unions, the Labor party and an important section of both the Liberal and Conservative parties are opposed to the return to the gold standard for some considerable time to come, if at all. The anti-gold standard school is further divided into two sections, one in favor of a permanent managed currency in place of a metallic standard of any kind, the other prepared to accept the restoration of

the gold standard subject to certain safeguards for the future, including a redistribution of the present gold supplies available.

Disarmament has for long been a prickly subject as between the two English-speaking democracies. There is a large portion of public opinion in Great Britain in favor of very drastic disarmament. Its leaders would have preferred a more generous and immediate acceptance of the Hoover proposals at Geneva this year. But the British Government and its experts have shown extreme caution throughout. I have observed at Geneva and other disarmament conferences that American naval and military experts are not unskilled in stating the case for their own particular services, and they show an otherwise admirable team spirit in collaborating with the naval and military experts of other nations. That is only to be expected so long as professional warriors are allowed a decisive voice in these matters. What is unfortunate is that the *political government* of Great Britain has shown so strong an inclination to listen to the voice of its own naval and military experts and especially to pander to the views of the British Admiralty. This powerful government department, I repeat, can be relied upon to uphold British maritime strength as against other nations by every means possible.

Particularly is this the case with regard to the doctrine known as the Freedom of the Seas. This doctrine, with its corollary of the abolition of private blockade, is as strongly upheld in American official circles as it is resisted in British official circles. The British Admiralty will cling to the right of capture at sea outside the three-mile limit until the very end, and until this nettle is grasped real disarmament will be unlikely. Until the navies are reduced the land powers will cling to powerful military and air forces. The net result, so far, has been the strongly expressed demand of the German Government for the right to re-arm and for the abrogation of the clauses of the Treaty of Versailles forbidding certain weapons to Germany by reason of their offensiveness. As the experts have thrown doubts on the offensive character of tanks, heavy artillery, war airplanes, submarines, poison gases and other arms forbidden to Germany, the case put forward by Berlin is difficult to answer. Sir John Simon's legal casuistry had the effect of causing the Germans to withdraw from the disarmament conference. There has undoubtedly been a lack of cooperation between Great Britain and America, the two great countries, which, in theory, are most in favor of reduced armaments.

Nor would I have completed this survey without noting a new cloud on the horizon or rather the reappearance of an old one. I refer to the Anglo-Irish dispute. This is regarded in Great Britain as a purely domestic matter within the British Empire. But the body of numerous and influential American citizens of Irish descent are unlikely to share this view. How far the Irish-Americans can make their power felt in the United States is not for me to prophesy. But that they will endeavor to exercise their influence is certain, and they will do so in a way not flattering to Great Britain. Perhaps the best to be hoped for is that the Anglo-Irish dispute will be quickly settled. At the time of writing negotiations have been reopened. This is to the good. But the dispute need never have developed. It has already done mischief enough.

I have now outlined the principal factors that have affected Anglo-American relations in recent years. It would be absurd to pretend that all is well. Relations are not bad, but they are not so good as they should be in view of the many difficulties and dangers threatening the peace and prosperity of the world.

# The Worker in Soviet Russia

*By* SIDNEY WEBB

[Sidney Webb, the outstanding English exponent of Fabian socialism, now contributes the second of his articles based on observations during his recent visit to Soviet Russia. The first, "Business Life in Soviet Russia," was printed in November CURRENT HISTORY.]

AMONG all the positive assertions made about the Soviet Union, those describing with easy confidence the position of the manual workers are the most unconvincing. Quite different conclusions are reached by observers of different bias, who persist in concentrating attention on different selections of facts, which agree in nothing except their common inability to support either of the contradictory generalizations rashly founded on them. Even greater is the difficulty presented by the old story; in this as in other matters the Soviet Union fits none of our accustomed categories, and must be looked at through fresh eyes.

The men and women engaged in material production in the U. S. S. R. may be divided into four main classes. These are, first, the 8,000,000 of peasant families still working entirely individually, not employing outside labor, and, subject to progressive taxation, enjoying, if such a word can be used for a very low standard of life, the whole product of their toil. Then there are the twice as numerous peasant families now united in collective farms, in a few cases passing into completely Communist settlements called communes, but usually having in common, with State aid, only their grain cultivation and retaining individual ownership and production of garden produce, poultry, dairy and so forth. Belonging to the same genus of associations of producers, though a different species, are the 2,000,000 or 3,000,000 ancient Kustar handicraftsmen, now largely united in self-governing workshops using machinery and power, which they collectively own, and disposing of most of their output to government or consumers' cooperative industries. Along with these may be ranked the independent associations of professional hunters and fishers, and some others. Finally, there is the large and steadily increasing class, probably now comprising one-fourth of the whole population of the U. S. S. R., of workers paid by wage or salary on the farms, in mines and factories, on ships and railways, in electric plants and other enterprises of the government (local or central) and of the consumers' cooperative societies. It is about this fourth class, which alone is organized in trade unions, that inquiries as to the position of the manual workers are usually made, and it is to this class that the present pages are devoted.

By the position of the manual workers may be meant either what they earn or what is their status and organization in the society of which they form part. Let it be said at once that no general statement can be usefully made as to the wages paid in the Soviet Union. Workmen earn at piecework anything from 50 to 500 rubles per month, but nothing accurate can be stated as to the practical equivalent, in dollars or pounds, of the present-day ruble. Money wages cannot be understood unless we know what money will buy; but prices and rents in the cities depend on who and what a person is, varying enormously according to the purchaser's vocation

or the amount of his income, or the shop or restaurant at which he habitually makes his purchases. Moreover, money is of no use if things are not to be had; and many a desired commodity is, from time to time, simply not in the market. In this respect much depends on the particular cooperative society or factory restaurant to which an individual is able to belong. Further, the monthly pay is not the whole reward of labor. Every worker pays for rent only a fixed 10 per cent of his wage. He gets without charge education for his children and himself, and free medical attendance for the whole family (including drugs, hospitals, convalescent homes and full wages while away from work). His wife, if industrially employed, gets full wages for eight weeks before and eight weeks after confinement and free obstetric service. And there are other branches of social insurance equally gratuitous. Thus we can speak only by comparisons.

There seems reason to believe that the average workman in the Soviet Union was, in 1932, substantially better off than he was in 1914, and that his standard of life, measured in food, clothes, boots and housing is steadily, though not uninterruptedly, going up. The most important fact in this connection is that he is, on the whole, at present continuously employed, and has been so for two whole years, and to that extent he is far better off than the British or American or German workman. Nevertheless, those who know the situation most completely feel no doubt that the worker's level of living is, in nearly all material matters, still considerably below that of the American or the British worker of equal grade who is fortunate enough to be in regular employment.

It is more useful to consider the workman's status and organization. It is no small matter that he is constantly made to feel that he and his fellows are emphatically the people for whom everything exists, and by whom everything is finally determined. The observer of the well-clad and well-booted crowds perpetually thronging the streets of Moscow or Kharkov or Rostov, or crowding the opera houses and theatres and cinemas, or playing games in the parks, cannot help being struck by their unselfconscious and implicit assumption that they are the people. What in other countries would be the superior classes appear simply not to exist. If, as it is still occasionally alleged, the universal condition is one of "slavery," it is as Mr. Knickerbocker has observed, at least a slavery in which the slaves believe themselves to be "the bosses."

The workman's special organization is, of course, the trade union, and nowhere in the world has the trade union a wider development or a greater significance than in the U. S. S. R., where the 12,000,000 members—more than double the total in any other country—comprise three-quarters of those who are eligible, most of the non-unionists being only seasonal workers, or else newly migrated peasants. But trade unionism in Soviet Russia differs essentially in structure and function from its analogues in other countries; and these differences —so Soviet authorities claim—are significant of the higher stage of development that the institution has reached. In America, as in Western Europe, the trade union is essentially, if no longer merely an organ of working-class revolt, at any rate an organ of continuous economic struggle against the chronically hostile force of the capitalist employers. In the U. S. S. R., where the capitalist employer has been practically eliminated, the trade union has developed into an organ of administration, designed to enable the whole producing community of the U. S. S. R. to participate, each establishment and each industry in due degree, in the arrangements required for the coordination of its own service with that of all others.

Hence, if we are to understand trade unionism in the U. S. S. R. we must leave behind our accustomed categories. In all this vast area there is not a single trade union of the old-fashioned British or American type, based on the specific craft of the members; excluding all other workers not masters of that craft, even in the same industry or the same factory; concerned exclusively for the maintenance or improvement of the position of its own members and its own craft; primarily interested in getting out of the profits of the establishment or the industry in which its members are engaged a large share for themselves and their fellow craftsmen; and absolutely unconcerned, as specific craftsmen—indeed, deliberately excluded from such concern—with the aggregate wealth production of their nation or even with the economic efficiency as a whole, of the establishment in which they work, or of the industry of which they form part.

In the U. S. S. R. today, all kinds of salary and wage earners are organized in forty-six great industrial unions, all of which extend to every part of the territory. The type is that of the "employment union." The rule is "one undertaking, one union." The kind or grade of the worker, his craft or special contribution by hand or by brain, the particular method of his remuneration or its amount are alike ignored, equally with sex, age, race or creed. Every person employed in any way, in or about a single industrial enterprise or establishment, or a single educational, medical or other institution, can belong only to the trade union to which this unit predominantly belongs, to which he pays contributions usually at the rate of 2 per cent of his earnings. Thus, in the great Stalingrad tractor factory, the Machine Makers' Trade Union includes not only all kinds of mechanics and artisans, whether in metal or in wood, but also the director, his managerial assistants and the foremen, the draftsmen, designers, clerks and bookkeepers, the factory doctors, nurses and welfare workers, the cleaners, gatekeepers, porters, messengers and unskilled laborers of all sorts, the canteen and hospital staffs, and every youthful apprentice or learner of either sex. When a craftsman or a clerk is tempted away to work on a State farm or in a hospital, he leaves the Machine Makers' Trade Union and joins the Agricultural Union or Medical Services Union, as the case may be.

In this way the worker is taught to identify himself, not with his craft, but with the establishment in which he works. The interest of every employed person is concentrated, so far as his trade unionism is concerned, not on his own specific performance but on the service rendered to the community by the enterprise in which he is in whatever capacity or degree, not himself producing wealth but only cooperating in production with all his associates, from the manager down to the youngest apprentice.

The structure of all the forty-six unions of the U. S. S. R. is built up from the "shop meeting," or whatever corresponds thereto—essentially a gathering of all those actually meeting and cooperating in daily work, sometimes a whole workshop or small factory, sometimes a particular branch of the large factory's operations (including the managerial and office rooms), sometimes a whole institute, and sometimes a local branch or a specific division of its work. These, the lowest units in the trade union hierarchy, have frequent open meetings for discussions and sometimes for the periodical election of delegates to the factory or institute council, representing all the units in any large factory or institution which is, however, often elected at a general assembly. The factory council, usually of about a dozen or more members, meets regularly for business and periodically

elects delegates to a district conference or subsection, representing all the factories or institutions of the same kind in a specific locality.

The hierarchy of each industrial union thus rises stage after stage by district subsections and provincial sections in the typical Soviet manner—always with an executive committee, a presidium, a president and a secretary at each stage—culminating, for each of the forty-six unions, in a congress of elected delegates, with its central committee and the usual presidium, representing through these successive indirect elections, its hundreds of thousands of members throughout the U. S. S. R. And all the way up the hierarchy there is also more or less of a lateral connection at each stage. In 1905, and again in 1917, the nascent unions in Leningrad elected delegates to a Leningrad Soviet, and this practice has now become general. In every large city, in many less urbanized districts containing several different industries, and in every constituent republic or autonomous area there is usually what in Great Britain would be called a local trades council, consisting of delegates elected by the various unions represented in the locality, for discussion of trade-union matters affecting particularly that locality, as well as for concentrating trade-union opinion on general policy.

The whole complex organization culminates in an All-Union Trade Union Congress for the entire U. S. S. R., to which the topmost congresses, or central committees, of the forty-six trade unions elect delegates to represent the whole membership of their respective organizations. It is in consultation with this supreme trade-union body, or rather with the large All-Union Council of Trade Unions that it elects—perhaps chiefly with its presidium and officers—that the highest planning authorities, the Supreme Council of National Economy, and the members of the Sovnarkom or Cabinet, from time to time settle the lines on which the nation's industry shall be conducted, and thus decide (but only incidentally to larger issues) on the normal working day and the general tariffs of wage-rates for all the forty-six industries.

The work to which this trade-union hierarchy addresses itself, in its elaborate series of members' meetings and committees, is apparently much more varied and extensive than in the trade-union movement of other countries. In addition to dealing with the innumerable personal grievances of members as to piece-work rates or factory dissensions, food supply or housing accommodation, and the periodical waxing and waning of particular staffs, the trade union in the U. S. S. R. undertakes the detailed administration, so far as its own members are concerned, of the various forms of social insurance, the management of the rest-houses assigned to the union as convalescent and holiday homes, together with their members' admission and journeys to them; the administration of the catering and service in the factory restaurants, the enforcement, by inspection and complaint, of the provisions for protection against accidents in the factory or mine, the government of the members' clubhouses, libraries and educational classes, the allocation of the coveted holiday privileges, and even the distribution of the cheap tickets for the opera, theatre, concert hall or cinema, placed at the disposal of the members.

With regard to wages, the trade union, in the lower stages of the hierarchy, deals only with the translation of the nation-wide time rates into piecework prices and, of course, with individual grievances; in the higher stages also with the contracts entered into with the salaried managers and specialists, and only in the

highest stage of all, as will now be described, with the adjustment and progressive increase of the fundamental time work rates. Thus there is in the U. S. S. R. of today no place for strikes. For every kind of dispute there is elaborate provision for arbitration. For minor issues there is, in every large factory, what is called the "Triangle." Whenever there is trouble the representative of the management meets the local secretary of the union in conjunction with the local official of the Communist party.

The settlement of the rates of wages in each industry for the whole U. S. S. R. necessarily forms part of the General Plan as already described. (See November CURRENT HISTORY, pages 147-154.) If we may believe confidential reports, the issues thrashed out at the highest stage, when the representatives of the All-Union Central Council of Trade Unions sit, at least once a year, in consultation with those of the highest planning authorities, concern, first and foremost, the division to be made of the nation's aggregate product between saving and consuming. That is to say, it has to be agreed how much shall be produced in the shape, not only of repairs and maintenance, but also of additional capital works and equipment in order to increase future production. Of the remainder of the aggregate product an adequate share has to be allotted to the collective public services, such as education, health, social insurance and organized culture and recreation. The balance of the consumable goods produced, translated into terms of price, constitutes a deliberately planned "wage fund," which can then be wholly distributed—the profit-maker and the *rentier* being alike eliminated—in individual monthly payments to the workers by hand or by brain.

The plan of this distribution has first to be determined. After a whole decade of experience and economic education, largely by the costly method of "trial and error," the responsible representatives seem to have agreed, supported by an extraordinary degree of popular consent or approval, upon a scheme of distribution which is now readopted year after year with only variations in detail and in the amount of the yearly increase. There is no idea of any arithmetically equal sharing-out.

First there has to be deducted the aggregate of the wages of the apprentices and the salaries of the office staff and the humbler technicians, together with the emoluments specified in the contracts made individually with the managers or foreign specialists. We can imagine that there might be some grumbling on this last point, but a decade of experience seems to have convinced everybody in the U. S. S. R. that such people cannot profitably be dispensed with. Moreover, with a membership running into hundreds of thousands, these salary lists do not amount to more than a few kopecks per head.

For the general run of workers, from the youngest and least skilled up to the most experienced and most expert, each union adopts a system of grades of work, usually eight or ten in number (though the Donetz coal miners had at one time eleven and the textile union seventeen). These grades are based on what is deemed the "social importance" of the work. The rate of pay for the lowest grade is fixed on the basis of something like a subsistence level, this producing a minimum wage which tends to approximate equality in all industries throughout the whole U. S. S. R.

It is, however, the remainder of the wage scale that is most novel and, as it may be suggested, most instructive to American and Western European employers. There are no fixed crafts or other classes of workers, but only grades of pay, without any limit on the numbers in each grade. Thus all the troublesome demarcation disputes are avoided, and all the heart-

burning and jealousy about differing wages. The All-Union Central Council of Trade Unions, in consultation with the central committee of the union concerned, and with the concurrence of the Presidium of the Supreme Council for National Economy, assigns wage rates to all the grades above the lowest, so graded as to proceed stage by stage up to the highest, which in most industries is fixed at between three and four times the minimum or bottom grade (in the light industries 1½ to 2 rubles per hour; for the Donetz coal miners the eleventh, or highest, grade was made four and three-quarter times the lowest, or 7 rubles per hour).

To a large extent workers grade themselves. Every one is free at any time to apply for transfer to a higher grade than that in which he finds himself, the only condition being that he should "make good" by demonstrating, to the general satisfaction of his colleagues and of the management, his competence in the work of the higher grade. The decision of the management is commonly accepted, but it is subject to appeal by the applicant, first to the Labor Department of the republic or other autonomous area, and, secondly, even to the Labor Department at Moscow. The impression given is that, speaking generally, the different standard rates of the several grades above the lowest are, in each union, accepted without question, the workers feeling that they get, in the aggregate, all there is to be divided up. And, as they are constantly being reminded, there is nothing more important for the U. S. S. R. than an indefinitely large multiplication of its skilled operatives. Every encouragement and every assistance in the way of educational opportunities are given to the mass of unskilled and lower grade laborers to improve their qualifications. In one large factory in Moscow, employing 10,000 operatives, no fewer than 90 per cent of the total number were found, last Summer, to be attending evening classes to which admission is free. The more they progress up the scale the better the management is pleased. The operatives are, in fact, constantly told that it only depends on themselves to get more, first by jointly making their factory more efficient in increasing output, lowering costs and reducing the amount of scrap and other waste, and, secondly, by individually working more intensively.

The standard wages for each grade are, in every case in which this is practicable, translated into piecework rates, which are now obtained by from 75 to 90 per cent of the operatives. This is always a "straight" system of piecework prices, never degressive, and always so arranged that the operative obtains the whole of the advantage of the extra intensity of his effort. The existing output is taken as the standard task, and double the output yields twice the time wage, and so on without any fixed maximum. In a few cases the piecework scale is even progressive, double the output yielding more than double the time wage. With the disappearance of the profit-making employer have gone the danger and the fear of the rate being cut. The management gains in reduced overhead charges per unit of output. What the nation gains is the much-desired increase of the product itself.

We can now understand what seems, to both American and British employers and trade union officials alike, the strange paradox of trade unionism becoming the most powerful factor, both in increasing output and in lessening the cost of production. In the U. S. S. R. trade unionism feels itself not at war with the employers but actually the proprietor of the whole of the industry, entitled to the aggregate produce, whatever it may prove to be, subject only to whatever deductions are shown, to the satisfaction of the trade union representatives them-

selves, to be necessary to its permanent success and continuous increase. Whatever net increase can be produced must inevitably accrue to the workers themselves.

Hence we get the willing acceptance of piecework rates, as calculated to raise production, and the eagerness to obtain the most efficient machinery and the best possible organization of the factory. Hence, too, the almost universal zeal of the workers of all ages to get technical training for themselves and also their willingness to instruct the crowds of youthful learners and raw peasants so as to convert the whole factory population into highly skilled operatives. Hence, too, the growth of an effective public opinion in favor of regularity and punctuality of attendance and the utmost possible avoidance of waste. Hence also the extraordinary development of "shock brigades" who voluntarily undertake to "liquidate" the arrears of work of a backward enterprise or to bring up the total production of a factory which has fallen short of the output required of it by the General Plan. Hence, too, the widespread voluntary adoption of "Socialist emulation" in which different departments of a factory, different factories in an industry, or different vessels of the mercantile fleet in the Baltic or on the Volga formally engage in competition with one another over a specified period as to which can most increase output or lessen production costs—sometimes with the most striking results.

Not without warrant do the administrators of Soviet Union industry claim that it is to the energy of the workers themselves that a large part of the continuous increase in productivity already achieved is to be ascribed. It is very largely in this widespread industrial zeal that Soviet administrators see a real hope of achieving what Western observers have believed to be impossible, namely, a complete overcoming of the immemorial apathy and inefficiency of the migrants into industry from the Russian villages.

It will be apparent that this progressive increase of output has not been gained without interminable discussion and continuous criticism of every incident of industrial administration. This incessant talk, in which workers of every grade fearlessly and publicly participate, is often complained of by American and other foreign specialists in the U. S. S. R. service. In the Communist view, such universal free discussion is not a drawback (except in so far as it lessens working time, which is not necessary) but a merit, and, as they claim, in the long run a positive advantage in the promotion of national efficiency. Managerial autocracy, with a quiet elimination of every wage earner impertinent enough to express dissent or criticism, may increase the ease and perhaps the profit of the particular employer, if only for the moment. But universal participation, at least to the extent of free discussion and candid criticism, with delegated authority to responsible negotiators—which is the Communist conception of industrial democracy—may be the best, if not the only way to secure, in the long run, unity of purpose and continuous concentration of effort among all the grades and sections of workers through the nation's industry. The Communists believe not only in the educational value of this universal democracy in industry, but also—always provided that responsible personal management is maintained—in its superiority in efficiency measured by output per head, over the perpetual tug-of-war between employers and wage earners about fractional increases or decreases of wages or demarcation of work characteristic of British and American industry. It is not easy to refute this claim, but it is clearly dependent on the complete elimination of the private owner and profit-maker.

Apart from material gains, there can be no doubt that the manual worker in the U. S. S. R. has made, as compared with pre-war times, an enormous onward stride in education and culture, in the sense of citizenship, and generally in civilization. He was, for the most part, illiterate and ignorant, dirty, drunken and lascivious, irregular and unpunctual to the last degree, and so inefficient as to make those who knew him in Czarist times absolutely incredulous that he could ever be made a competent mechanic. Nowadays, at any rate in the cities, the average factory operative in the U. S. S. R. reads far more books than American or British workmen; he comes to work regularly and punctually; his clothing has improved in substance and in cleanliness; he is a frequent attendant at the theatre and at the opera, as well as at the cinema; and if he is not yet as skilled a mechanic as the German, he is, at any rate, making remarkable progress in technical efficiency. The worst feature of city life is the appalling overcrowding of the dwellings, in spite of an amount of municipal building during the past decade actually surpassing that of any other city in the world. Yet even here there is some progress. It seems that, measured by floor space per head, the working population of Moscow was even worse housed in 1914 than it was in 1932, when the population had nearly doubled.

Taken all in all, the Soviet city workman, starting from a very low level, has improved his position in the past decade more than the workman in any other country.

# From War to Revolution

By FRANCESCO NITTI

[Signor Nitti, Italian Minister of Finance from 1917 to 1919, and Premier from November, 1919, to June, 1920, has lived in exile during most of the years since Mussolini came to power. A journalist, barrister and authority on economic and financial questions, he has written several books relating to the problems of today.]

WE live on traditional ideas, and often ideas change much less rapidly than facts. In the modern world, war has become the one great cause of revolution, but the conservative elements who are dependent on tradition persist in regarding big armies and navies as forces making for order, and war as the supreme source of national strength. Nationalist parties thrive on these two major illusions, but these illusions may well wreck our civilization. If we draw up the balance sheet of the last European war we shall soon see that it was not only the greatest upheaval, but also the greatest revolution of modern times.

The word "revolution" is in some countries interpreted in a mystical sense—as a catastrophe intended to realize lofty abstract ideals. This interpretation is absurd. Revolution is merely an immediate and violent change, whether for good or ill, in an economic or political order. History gives us examples of great revolutions which were fruitful and liberating, and of others which were nothing else but calamities, ruinous to the countries in which they occurred.

Consider the general results of the World War. In money it cost nearly $200,000,000,000 besides taking the lives of 10,000,000 men and lowering the working capacity of three times as many more. All Europe has been Balkanized. Formerly there were twenty-five European countries; now there are thirty-five—not counting the little Vatican State—and thousands of miles of new customs barriers have been erected. Formerly there was only a single Alsace-Lorraine problem; now there are nine or ten of the same kind. Austria-Hungary was once a single, sovereign nation composed of widely differing peoples; now it is split up into five or six States. Obviously, there are in Europe today many more potential sources of war and revolution than before 1914.

But consider further the political and social upheavals. Four great empires dominated more than two-thirds of continental Europe; all four have been overthrown to be replaced, on their dismembered territories, by various disorganized republics. Religious life has been likewise disorganized. Austria-Hungary was the centre of Catholic clericalism, Germany of traditional Lutheranism, with a State church, and Russia of Greek Orthodoxy, with the Czar, in fact, if not in law, as the real Pope of the Orthodox Church; while the Sultan of Turkey was the Caliph (also the same thing as a Pope) of all Mohammedan believers. Now, the situation has changed completely in the former German and Austro-Hungarian territories, and in some of the countries church and State are at war. The new Turkey has abolished the caliphate of Constantinople and has severed all political connection with the church. In the vast stretches of Russia, bolshevism is fighting with all its strength against religion of any kind, and irreligious teaching has become a policy of the State.

On every continent, even in those countries which played little or no

part in the war, radical changes have occurred. Asia contains more than half the world's population—1,094,000,000 people out of a total of 1,992,000,000. All Asia since the war has been in profound turmoil, and everywhere there are movements hostile to the foreigner, struggles for freedom and revolutionary uprisings. Russia has turned Communist—though she practices, not pure communism, but a form of socialism in which the centralized and all-powerful State has become the sole capitalist. Soviet Russia, in consequence, has made—and is still making—every effort to extend the Communist revolution into Europe and Asia, and wherever she finds seeds of discontent she deliberately fosters disorder.

True revolutionaries have always understood, as the conservatives still do not, that war is the one catastrophic phenomenon in modern society, and that war alone, by suddenly altering existing conditions, can lay the foundations for great revolutions. In the middle of the nineteenth century Proudhon and Marx, although they detested one another and represented two opposing currents of revolutionary thought, shared the conviction that only war could give birth to revolution. Proudhon wrote a famous two-volume book, *La Guerre et la Paix,* in order to make the revolutionary apologia for war, but one must also read his other works, and especially *La Révolution Sociale Démontrée par le Coup d'Etat du* 2 *Decembre,* if one is to understand how closely he identified war and revolution and how, to his way of thinking, the one must inevitably produce the other. The two most remarkable men in German socialism—Marx and his friend, Engels, who continued his work—had the greatest contempt for those whom they called "peace congress asses," and were entirely sympathetic with making war on Russia. They even attempted to arouse the English workers' organizations and to propel them into a movement for war against Russia. For the same purpose, Bebel, who was not a theorist, but who for a long time was the true leader of German socialism, liked to say that he would always have been ready to shoulder a rifle.

No one, however, saw more clearly than Lenin that war must precede revolution in Russia. He was convinced that without war, and above all without a military defeat, a genuine revolution was impracticable. Lenin was a prolific writer. His ponderous volumes are in no way original and, despite his deification by the Communists, one must recognize that he was an indifferent thinker. He was obsessed, however, by one unwavering idea—the necessity and desirability of war from the revolutionary point of view. While he was in exile in Switzerland he spent all his time studying the German military writers, especially Clausewitz, Stein-Gleisenau and Scharnhorst. Lenin merely represented Marxist theory in terms of Clausewitz. Despite what appears on the surface, his Bolshevist Russia has developed into one of the most advanced militarist States in the whole world. Revolutionists are fond of saying that they are not interested in war for its own sake but for its consequences. In one form or another Guesde, Kautsky, Plekhanov, Mehring, Hyndman and, above all, Lenin, have united in regarding war sympathetically—as the necessary forerunner of revolution.

But why does modern war produce revolutionary convulsions? Until the French Revolution and the Napoleonic wars, the great European monarchies kept war within narrow bounds. Small professional armies were the rule and, with a few exceptions, even major wars were extremely limited in scope.

Marshal Foch in his book, *Les Principes de la Guerre,* says that before

the French Revolution an army of more than 40,000 men was thought unnecessary and useless. Decisive engagements were avoided as much as possible. One had to reckon with time and with the difficulties of feeding an army. The greatest leaders, says Foch, avoided large battles: "The idea was to know how to fight but, still more, how to keep from fighting." A new era opened with the great armies of the French Revolution, with those national armies which developed when the whole strength of the State was drawn upon through conscription. It was then that an era of national wars, with incalculable potentialities, was ushered in: "This was made possible because all the resources of the nation were consecrated to warfare; because the objective was not the fulfillment of merely some dynastic aim, but the triumph and propagation, first of certain philosophical ideas, and then of certain principles of independence and unity leading to various other immaterial advantages; because, finally, the welfare and interests of every soldier, and consequently his emotions and passions, were involved—thereby bringing into play forces hitherto untried."

To these words of Foch I should add that in the past there was no such general and widespread feeling of hatred as there is in modern armies. A royal command was sufficient to send professional soldiers into battle. If a modern nation is to be roused to arms it must be persuaded that danger threatens, and hate must therefore be universalized. Modern war, in becoming general and almost mechanical, has lost all its glamour. It has been turned into a highly technical affair, in the course of which masses of humanity fight against other masses of humanity, often without seeing them. Modern war is far-reaching and catastrophic. If it is to be waged at all, people must be universally incited to emotions of hatred and violence—a task which the press often performs in a dangerous fashion.

When these millions of men return to their homes they find unexpected difficulties awaiting them. For the sake of morale, magnificent promises are always made in wartime. But in all countries, whether victorious or vanquished, war means a reduction in wealth. How can the promises be kept? A conquered nation always tends to plunge into revolution, and one must placate those elements which seek redress through ultra-radical parties or through immediate political changes. In the victorious countries the ex-soldiers clamor for special privileges and demand reforms and changes in the economic order—privileges and reforms which are often impracticable. It is for this reason that one so often sees the development of reactionary movements or dictatorships, which result eventually in revolution or another war. War is particularly apt to bring in its train such dictatorships as have sprung up in Europe. A dictatorship of the Fascist type is, in essence, profoundly revolutionary because it implies another revolution or another war. The only enduring social order is one which is based on the expression of the popular will. Any order founded on violence, unless it be merely temporary, is always headed for a revolution.

But the framework of revolution is, also, always prepared for by the inherent necessities of war itself.

In wartime all the resources of the State must be pooled. There is no longer a clear-cut distinction between private and public property. Everything—both men and goods—must be at the disposal of the nation as a whole. Since, however, resources are limited by the conditions of war, the State itself must supervise distribution. An immense centralization is necessary, and afterward an organi-

zation for the division of available goods. Germany, during the war, was obliged to make a real distribution of goods on a collective basis, and the same phenomenon occurred in different forms in all the European countries. As Minister of Finance in Italy during the war I was obliged to deal with the feeding of the entire country. From an economic point of view Italy probably suffered more than any of the other nations during the war. With a large population and a restricted territory, with a far-flung theatre of war and a lack of raw materials, her situation was a grave obstacle in itself. I was often obliged to make an arbitrary distribution of goods, to insist on ration cards for bread, meat, sugar, tobacco, textiles, and the like.

The national budgets of almost all the countries which participated in the war were increased three, four and even five times. Such vast outlays of money resulted in a corresponding increase in taxes, and especially in tariffs, in a general decrease in purchasing power, and in the dislocation of the international economic order.

The strength of modern nations—one might almost say the strength of all countries at all times—is founded on the development of a thriving middle class, of middle class fortunes and middle class attitudes. Since classic times the dictum of Aristotle has always been true. War always results in the destruction or ruin of the middle classes. Revolutions are produced with particular ease wherever there are only the rich ranged against the poor. In Russia, where a middle class was only beginning to emerge, the revolution occurred with ease and rapidity. Currency inflations, with their ensuing deflations, hasten this process of the decline of the middle class. I have studied very carefully the statistics of income taxation in Germany and the figures on direct taxes in England, Central Europe and Italy, and I have noticed that without exception war primarily injures the middle classes. The ability to resist revolutionary ideas is thus enfeebled just when revolutionary propaganda is developing.

Fore-knowledge, in human affairs, is always impossible, and it is only intellectual vanity which leads us to prophesy. Without leaning too heavily on conjecture, however, one may predict that a new war would unleash a series of revolutions, whatever the results might be from a military point of view. We should probably witness the collapse of the whole economic and social order.

Why, then, do men of great wealth in all countries, aided by the popular press, advocate large armies and support the nationalist parties? Simply because the old mentality still flourishes, and people still believe that armies furnish internal and external security. In Europe the great munitions interests frequently subsidize nationalistic and warmongering newspapers. This is readily understandable. The munitions industry develops in proportion to the growth of nationalism, hatred and distrust. Capitalists, however, who have no direct interest in the munitions industry often support bellicose movements and Fascist activities. Perhaps it is some fatal attraction toward disaster.

In place of the revolutionary Apocalypse and the dictatorship of the proletariat of which Marx dreamed, the Apocalypse of war, mother and creator of revolution, is being realized. This is why Proudhon and Marx, Lenin and Plekhanov understood that, in modern countries, war alone—widespread and on a vast scale—can lay the foundations for revolution and is, as well, the cause of all great revolutions.

# Germany in Travail

## I—The Grip of Famine

*By* WILLIAM ZUKERMAN

[Mr. Zukerman is the European correspondent of the *New York Jewish Morning Journal*. As a foreign correspondent and student of European affairs he has contributed articles to many American and British newspapers and magazines.]

IN no city in the world is one struck by the paradoxical contrasts of our civilization so much as in the Berlin of today. The two "nations" of Disraeli, living side by side and yet leading opposite lives, nowhere display their fundamental antagonisms more than in the Prussian capital.

Berlin is the most modern industrial city in Europe. It is years ahead of London in conveniences and comforts. Even Paris cannot compete with the elaborate luxury of its cafés, hotels, restaurants and places of amusement. The appearance of affluence on Kurfuerstendamm can hardly be rivaled in any street in Europe. Piccadilly is a nineteenth century provincial street compared with it, and the grand boulevards of Paris lack the freshness and the lustre of Berlin's new buildings and ultramodern accommodations. No other European city embodies so completely the unadulterated spirit of modern industrialism, with all its external glamour and internal contradictions.

An afternoon stroll through the streets of Berlin's Westen leaves one with the impression that the whole city is enjoying itself amid scenes of plenty and of luxury. The brilliant, huge cafés are crowded. One can hardly find room in the most expensive and largest of them during those hours. One does not know what to marvel at most—at the gilded surroundings or the richness of the food and drink. More whipped cream is served with an ordinary cup of coffee in a Berlin café than an average middle-class English family consumes in a day. How different is all this from the accounts of the pinching poverty of Germany and from what one would expect to find in Berlin.

A visitor does not have to remain in Germany long to discover that externals are deceptive. Keeping up appearance is almost an instinct, if not a national art in Germany. The average German worker is even now better dressed than the English, and one will not find in Germany the scenes of squalor and ugliness which disgrace every big city in England. Externally, even Berlin-Norden—the poorest district of the city—is tidier than the corresponding districts in Paris or any other European city. Only when the visitor penetrates into a German household and is able to observe something of the pitiful struggle which probably millions of German families must now wage in order to keep from actual starvation does he become aware of the life of that other German "nation" which does not drink in gilded cafés nor dine in luxurious restaurants. The real life behind the ornate front of Germany is then revealed and, accustomed as the observer may be to the contradictions in other great cities, he cannot fail to be shocked by what he sees here.

In Germany post-war industrialism has reached its heart's desire. Its dearest wish, for which it has been clamoring for over a decade in every

country of Europe, has been realized—the standard of living of labor has been reduced to meet, not only foreign competition but also foreign tariffs. The famous emergency decrees of the Bruening and von Papen Governments have cut wages in some trades as much as 40 per cent. But what is more, social service, especially the hated unemployment relief, has been reduced to a level which industry no longer considers a burden.

German unemployment relief was cut twice last year. From an average of $5.50 a week which an average skilled single worker used to receive before the emergency decree of June, 1931, it has been reduced to a general average of about $3 a week. From 26 weeks the benefit has been reduced to 12 weeks. A second intermediary period of 36 weeks, during which the unemployed person used to receive so-called "crisis relief" after his insurance had expired, has been practically abolished. After the first twelve weeks the unemployed is thrown upon the municipal "welfare" or poor law, which reduces his pittance to the almost ridiculous amount of $1.50, $1.25, $1 or less, according to the municipality's purse. This relief, too, is given only after a severe means test, which has already deprived over 1,000,000 unemployed of relief.

The total number of German unemployed reaches almost 6,000,000 working families—the greatest proportion of unemployed in any country. To these must be added another 1,500,000 working part time and earning less than the dole. Together they represent, according to conservative figures, about 20,000,000 souls, and this huge army, practically a third of the entire population of Germany, is living in a state, not merely of ordinary destitution but almost on the verge of starvation.

"Can this vegetation of ours still be called life?" asks an unemployed workman in a recent issue of *Der Deutsche,* the organ of the moderate Christian trade unions, while stating his case: "I have a wife and one child. We three do not need much. We do not make any exaggerated demands. We merely want to live, live like human beings. But is this possible? We get 39 marks [$9.75] a month in relief. We pay 28 marks a month rent for our home. We thus have 11 marks [$2.75]a month left for food, clothing, light and heating for three persons; 36 pfennigs [9 cents] a day for the family; 12 pfennigs [3 cents] a day per person." This is a typical case in Germany today, one illustrative of thousands of others.

As a result, a third of the population of Germany is today slowly but surely disintegrating physically; it is maddened politically, and driven to despair mentally. For reasons of national psychology this disintegration takes the form chiefly of political strife. Germany is hovering on the verge of civil war; the party struggles are of such ferocity and are accompanied by such outbursts of cruelty that they awaken memories of the Thirty Years' War. Daily reports of brutal political murder and bloodshed indicate the existence of almost guerrilla warfare and an alarming state of abnormal political morbidity which may lead, not only the country but the world at large, into the worst calamities.

A non-political symptom of this disintegration strikes a visitor to Berlin immediately and is perhaps the strongest impression which he carries away from that city—the wholesale begging in the streets. Begging in Berlin is not the same as in other cities where it is confined to a limited number of professional or occasional mendicants. In Berlin there are beggars by the thousand, and they are mostly people who have never begged before, nor may they strictly be called beggars now. Begging to them is neither a profession nor even a temporary occupation. It

is simply the age-old way by which hunger has always manifested itself. People are starving and, after exhausting all other means of obtaining food, they almost instinctively hold out their hands to their more fortunate fellow-men, as hungry humanity has done for thousands of years.

You are accosted for alms by young men who are healthy, strong, tidily dressed and of athletic appearance. Your first impulse is angrily to resent the approach, while an almost instinctive thought leaps into your mind — what business have such young athletes to beg? Why do they not work? Then you learn that most of these youths did, indeed, work, but are now on the dole, and are obliged to resort to alms as additional aid in obtaining a meal.

You are stopped by middle-aged, well-dressed men, with iron-gray hair at the temples, evidently former office workers or civil servants. At first you cannot realize that they are begging. You think that they have stopped you for some information, and you are mentally preparing your apologies, only to learn that these elderly, neat gentlemen are asking for a few pfennigs.

You are appealed to by children, by little ones, who almost lisp their simple tale of woe, and by those who are older, more sophisticated, hardened and demoralized. Entire families walk in the streets and beg together. All methods of begging are used—the old one of stretching out the hand and pleading in the name of Christ; the newer one of offering a box of matches or shoe strings; the most popular one in Germany, that of singing and playing in the streets; and the ultra-modern and as yet rare one of dumbly threatening you for your few coppers.

One is almost crushed by the enormity of the thing. I counted a dozen people who came up with outstretched hand while I sat for fifteen minutes at a sidewalk café table. Such scenes of wholesale, pitiful begging used to be witnessed only in agricultural countries in time of famine when, driven by hunger, the peasants finally left their empty homes and villages and began to tramp the roads and highways in search of a crumb of bread. It is while observing these street scenes in Berlin that you suddenly realize that we are, indeed, in the midst of a famine now, one as widespread as the biblical, ancient and medieval scourges, and as grimly tragic in its modern, industrial form as ever it was when harvests failed in backward agricultural countries. Fundamentally, there is little difference between the industrial and agricultural famines. The suffering in the Russian Volga district in 1920 was probably more acute while it lasted, but it certainly was not as widespread as the present travail in Germany, and it did not last as long. And there the victims could at least be sustained by the hope that the next good harvest would bring an early end to their ordeal. The only expectation modern Germany has is of still more emergency decrees, still more cuts in wages and in social services, and still greater unemployment.

All the tragic sacrifices of last year and of this one have, of course, availed nothing. All the terrible suffering of the people has led nowhere. German industry is in a worse position today than it was before the introduction of the emergency decrees. Unemployment figures are higher now than they were a year ago. Exports are smaller, and the balance of the country's trade is worse this year than it was in 1931.

If ever a theory has demonstrated its own complete bankruptcy, it is this pet theory of post-war industrialism that sacrifices at the expense of the health and well-being of the people can lead a country out of the slough of depression. And it has

been demonstrated more strikingly in Germany than anywhere else. For reasons of foreign policy Germany has been led to adopt this theory more thoroughly than any other country in Europe, and to apply it with a ruthlessness which has as yet only been dreamed of by reactionaries in the rest of Europe. Not a thinking person in Germany today but knows that most of these misfortunes of the Reich go back to that memorable day in June, 1931, when Chancellor Bruening, amid the applause of a highly pleased world, inaugurated the system of exacting sacrifices from the people by emergency decrees.

It is enough to come to Germany, to see the almost criminal havoc which this system has wrought in that big, well-organized country, to realize how perilously near it has brought a great people to the brink of the precipice, and be told of the tragic futility of it all; it is enough to get a mere glimpse of it, to understand that that famous theory has failed utterly and disastrously. What is more, it has dragged down to disaster the country which has swallowed its principles whole, and has made them its own. For so thoroughly has Germany adopted this new post-war gospel that the collapse of the theory threatens to become the collapse of the nation.

# II—Will the Hohenzollerns Return?

*By* LUDWIG LORE

[Mr. Lore is one of the best known of German-American journalists. He was at one time editor of the *New Yorker Volkszeitung.*]

WILL Germany abandon its republic and return to monarchical rule? Despite Chancellor von Papen's protestations the question is a vital issue in the fatherland today. Evasions are always significant for what they fail to say, and the widely quoted speech which von Papen delivered before the Berlin Chamber of Craftsmen on Oct. 24 is no exception to that rule.

"There has been much talk," he said, "about our intention to work for the restoration of a monarchy, and the foreign press is using it to influence public opinion abroad against the loosening of the fetters of Versailles. I wish to state most emphatically that we concede to no one outside Germany the right to decide what form of State best suits the needs of our people. That is for Germany to decide. I have emphasized on previous occasions, and I desire to repeat it in no uncertain terms, that we are called upon today to solve such a multiplicity of problems that we gladly abstain from worrying about the form of our State. That question is not before us at the present time."

The Chancellor's colleague, Baron Wilhelm von Gayl, Minister of the Interior, in an interview on Oct. 28 was less diplomatic. "The government entertains no idea of restoring the monarchy at present," he assured the reporters.

In other words, the question of monarchy versus republic was not to be made an issue in the Reichstag election, nor did the Cabinet consider it expedient to exert what might prove to be an unfavorable influence on its relation with important foreign powers at the moment by unduly stressing the question of restoration.

That every member of the present government, including President von Hindenburg, is and always has been an avowed monarchist is too well

known to require repetition. Unfortunately for the effectiveness of von Papen's protestations, other utterances recently made by him contradict his disclaimer of Oct. 24. On Oct. 12 he laid before an assembly of high federal and Bavarian State officials in Munich an outline of authoritative proposals for the revision of the Weimar Constitution of such a character that next day the National Executive Committee of the Social Democratic party issued an election manifesto warning the voters of the nation that "the Chancellor's statement is a declaration of war against the democratic republic. Von Papen is fighting for the restoration of the monarchy and for the suppression of equal electoral suffrage." The *Frankfurter Zeitung* pointed out that the changes outlined by the Chancellor "undoubtedly indicate that the ruling powers are determined to lay the groundwork for a fundamental upheaval—for the re-establishment of monarchy in the German nation. True, restoration may not be an issue today. Conditions are not yet ripe. But the foundations are being prepared and the construction of a new building will not be long delayed."

What is this government program? Briefly, it proposes the following:

1. The office of the State President of Prussia is to be held by the President of the Reich, who shall, moreover, have the power to appoint the Prussian Premier. Only two other Prussian Ministers are to remain—the Minister of Finance and the Minister of the Interior. All other Prussian State Ministries are to be filled by the corresponding Minister in the National Cabinet. The Prussian Landtag is to have the right to vote on the government, appointed by the State President, once at the beginning of each legislative session. These provisions would practically restore the state of affairs that existed in Prussia under Hohenzollern rule.

2. The States are to have the right to determine whether they desire a republican or a monarchist Constitution.

3. The right to vote in Reichstag elections is to be restricted by raising the age of suffrage to 25 years and by the restoration of the one-man election district system; at present Germany is divided into large electoral districts, in which voters cast their ballots for a complete list of candidates. In municipal elections a system which permits several votes to one person according to property and other qualifications is to be introduced.

4. The creation of an upper house. Legislative decisions are to be binding only if approved by an actual (not only of those present) majority of both houses. A decision of the Reichstag would become a law over the veto of the upper house, if repassed by a two-thirds majority. The present Reichsrat is to constitute only one-third of the new upper house, the second third being drawn from the National Economic Council and the remainder being appointed by the President of the Reich.

These proposals are in effect a reenactment of the Constitution of Germany after the close of the Franco-German War in 1871, in several respects even antedating this reactionary monarchial instrument. In every detail they conform to the monarchist principle of one-man rule, with a Parliament to mask the workings of an arbitrary despotism.

On Oct. 14 the *Dortmunder General-Anzeiger* reported that General von Dommes, the confidant and adviser of von Papen, had already spent several weeks with ex-Kaiser Wilhelm at Doorn. There the General was looked upon as the official liaison officer between the Chancellor and the former monarch. This dispatch, which was never denied, received further credence from a communication published the same day by the Berlin

*Vorwaerts*, according to which the ex-Crown Prince had announced in conversations with prominent personalities that von Papen, von Schleicher, von Hindenburg and he himself "knew what they wanted and had come to a definite understanding. In the near future von Hindenburg would appoint the former Crown Prince to the regency of the nation and would retire. In that case the ex-Crown Prince would place his reliance on the Reichswehr, on the Schupo police and on the 400,000 armed members of the Stahlhelm. There would not be another 9th of November. The proponents of this plan were determined to fight—and if need be to die—for their cause. Rupprecht, the ex-Crown Prince of Bavaria, had already indicated his approval of the new course and would take his stand at the head of a Danubian kingdom on the same day on which the Crown Prince would assume the regency over Germany."

The von Papen government at once issued an emphatic denial of the *Vorwaerts* communication, characterizing it as pure fabrication. The *Vorwaerts* reiterated its story and offered to submit the unassailable testimony of ten witnesses and called on the government and the oldest scion of the House of Hohenzollern to bring suit, in which event it would be in a position to present satisfactory evidence of the truth of its report. Up to Oct. 28 no attempt had been made to force the *Vorwaerts* to eat its words.

What the ex-Crown Prince said concerning the Wittelsbach Rupprecht is undeniably true. According to the *Vaterland*, an independent Bavarian newspaper, Rupprecht assured an assemblage of 700 peasants in a speech delivered at the end of May that Bavaria cannot proceed alone: "We must wait until our friends in the Reich give the signal that they are ready to advance with us to restore the old order. In Prussia as here in Bavaria the spirit of monarchy is on the march. I have been informed that there, too, everything is in readiness, waiting for the decisive moment to restore the ruling houses of yore to their rightful heritage."

The extraordinary degree to which this monarchist propaganda has gained ground in Bavaria may be judged from an article entitled "Bavarian Explosives" that appeared in the *Frankfurter Zeitung* of June 12, 1932: "For a week Rupprecht has been touring with great success. Wherever he went he was received with enthusiastic celebrations. High government officials, Catholic Bishops, city officials, societies and the entire population of township after township came to receive him; the farmers left their farms in the midst of the Summer harvest to celebrate the coming of the imperial visitor. The tenor of his speeches left no room for misinterpretation."

In the middle of August Chancellor von Papen visited Bavaria and conferred with Rupprecht. Two days later, according to the *Muenchener Neueste Nachrichten*, the Prince appeared at a *Bauerntag* surrounded by Bavarian nobility, the Bishop of Augsburg, the Provincial President of Upper Bavaria and other government representatives. "Prince Rupprecht," the report continues, "played with much skill on the sentimental attachment of his listeners to the House of Wittelsbach, comparing the good old days with the conflict and suffering of our time. * * * Dr. Heim, leader of the Bavarian People's party, the Bavarian centrist party, was the last speaker. He announced that the Prince might at any time be proclaimed King of Bavaria. This would be in accord with public opinion, and he had good reason to believe that these sentiments were shared by the present Bavarian government and that the Reich government, too, takes the same stand. He wished with his whole heart that 'Long Live the

King!' would soon gladden the ears of Bavarian patriots." Spoken two days after von Papen's visit, this speech becomes significant indeed.

In Wuerttemberg this occurrence was noted with great disquiet. According to the *Frankfurter Zeitung,* Dr. Maier, Minister of Commerce and Industry of Wuerttemberg, addressing a meeting in Stuttgart on Oct. 17, protested against the "effrontery with which these elements are heading toward monarchy. The Reich government is openly fraternizing with the Bavarian ex-Crown Prince. Berlin already sees Germany divided into two spheres of influence—the Hohenzollern in the North and the Wittelsbach in the South. We Wuerttembergers wish to be neither Prussians nor Bavarians, but all together, with out a monarchy, better Germans."

The incumbents of the national government cannot be accused of having obtained their high positions under false pretenses. Chancellor von Papen, the representative of the Catholic feudal aristocracy, only last September admitted to the representative of an international news service who asked him whether he supported the republican idea that he had been "a monarchist all his life." Baron von Gayl was even more emphatic. In a meeting of the Reichsrat on June 9 he declared: "I should feel that I were despicable indeed should I try, in my capacity as Minister, to deny my deep conviction that monarchy is the most appropriate form of government for a country that lies in the heart of Europe. This conviction I have held, not only by birth and training, but as the result of long years of experience in government. I shall always gratefully recognize the great historic service our royal and imperial house has rendered to the German people."

General von Schleicher, Minister of War and the guiding spirit of the Cabinet, the man who has worked systematically and persistently for the restoration of military supremacy in the republic, was already active behind the scenes during the monarchist Kapp Putsch of 1920. Herr von Neurath, Minister of Foreign Affairs, former Ambassador to Rome and to London, demonstrated his appreciation of the confidence reposed in him by one republican government after another by regularly absenting himself from the official annual Weimar Constitution Day celebrations. The remaining members of the Cabinet, Herr von Braun and Professor Warmbold, are members of the Hugenberg party and have never denied their enthusiastic adherence to the monarchist cause.

The present government is supported by only two political parties—the German Nationalist People's party with thirty-seven Deputies in the Reichstag and the German People's party with seven. Dr. Hugenberg, the leader of the former, is an avowed monarchist. "Kaiserism," he declared at Koenigsberg on July 30, "is the country's safest guarantee for a clean, strong and righteous State. * * * Monarchy is the only natural form of government for Germany." In the last Reichstag election, the program of his party renewed its pledge to "work indefatigably and courageously for the return of the glorious Hohenzollern to the German throne." The party was less vociferous in its monarchist protestations during the first years of the republic. Its more recent support of the monarchy has been unequivocal. In a national conference of functionaries on Oct. 6, Dr. Quaatz, the recognized mouthpiece of Hugenberg, declared that "the work of reconstruction in Germany must find its last and greatest achievement in the restoration of Hohenzollern rule." The German People's party which, under Stresemann, once had fifty Deputies in the Reichstag, stands theoretically committed to a monarchist conception of government, although its leader, Dr. Dingeldey, has hitherto refrained from active partici-

pation any efforts to realize that idea.

The Cabinet, however, does not rely only on these political parties. It has the support of the Stahlhelm with its membership of 300,000 active and 150,000 passive ex-soldiers. At an election rally on March 5 Colonel Theodore Duesterberg, vice president of the Steel Helmets, strongly advocated a Hohenzollern régime. "I hold," he said, "the present form of government to be a political nursery for the proverbial German disunity. In the thousand years of our changing history it was always the imperial ideal which brought German tribes out of fierce internecine strife and mutual annihilation to unity."

Then again, in regard to the much discussed Reichs Frontsoldatentag of the Steel Helmets of Sept. 4, its chairman and founder, Georg Seldte, spoke of the "new era that begins with this day." A year ago, he reminded his followers, "I told you that the 'measure is full to overflowing!' These words were prophetic. They marked the conclusion of the first twelve years of our struggle. The period of waiting, of preparation is over. Today the fate of Germany rests with the soldier once more. He must take his place at the machinery of State into which saboteurs and inefficient politicians have thrown the sand of a corrupt parliamentarism for twelve long years. We have returned to Berlin once more and we are here to stay. * * * Our revolution needs creative genius and that strong head which, for centuries past, directed the destinies of Germany with sure and efficient hands." Among the guests of honor at this display of Steel Helmet force were the entire von Papen Cabinet with Dr. Bracht, National Commissioner for Prussia; the ex-Crown Prince and Princess, three other Hohenzollern Princes, five former ruling "heads," the entire military aristocracy and the finest flower of German feudal nobility. Anti-republican Germany was there in full regalia.

On Oct. 9 the Prussian State convention of the Stahlhelm at Magdeburg was addressed by the ex-Crown Princess. Simultaneously a huge gathering met in Berlin to view a number of new Steel Helmet films shown in honor of the former Crown Prince and his brothers. Their presence on this occasion was greeted with stormy ovations. Addressing this assemblage, Herr von Papen assured the Steel Helmets that their thirteen years of struggle will not have been in vain.

During the last few months a number of organizations have been founded which, though numerically unimportant, are significant as the spontaneous expression of growing monarchist sentiment. The *Bunder Aufrechten,* a monarchist propaganda organization that was dissolved in 1922 for its subversive activity, was recently informed by the Prussian Ministry of the Interior that "it is at liberty to take up once more its function of organizing those who seek an outlet for their monarchist convictions." Also there have been founded the Social Monarchist League, which publishes *Die Monarchie,* and the German Kaiser party, with its organ *Fanal.* These are without influence, but their creation at this time shows, if nothing else, the growing strength of the monarchist movement.

Since the von Papen government actually represents a comparatively small portion of the German population, what is the attitude of the other political parties and of Germany as a whole, to a possible restoration of the monarchy?

The Nazi party, now the largest political organization in Germany, belongs and always has belonged to the most determined enemies of republican rule, that form of government which Hitler once called the "worst excrescence of the mentally diseased debauchery of revolution." Hitler's party has a large following among high military functionaries, in the aristocracy and among government bureaucrats. Its membership includes "the best people" of the nation—the Hohenzollern Prince August Wilhelm

and the former reigning Princess of Coburg, Mecklenburg, Oldenburg, Brunswick and Reuss, and has received large subsidies from the Hohenzollern coffers. Not that financial remuneration was necessary to purchase Hitler's allegiance to the monarchical idea. As far back as 1922, in the Hofbrauhaus Putsch, Hitler and his followers openly declared for the return of the monarchy in a solemn ceremony in which he dedicated himself to the royalist cause.

The Centrist party at no time before the revolution of 1918 was regarded as an exponent of republicanism. But the Centrists have always been able to adapt themselves to political exigencies. For years they were in perfect harmony with their bitter pre-war enemy, the Social Democrats; since the last two Reichstag elections they have been endeavoring to come to terms with the German Fascists to establish a Reichstag coalition. The Centrists, too, would feel most completely at home under the protection of a monarchical government.

There remain the two proletarian parties. The Communist party would, without question, mobilize a most determined opposition against any attempt to restore the German monarchy and would muster a large non-Communist working-class element to its support. But this movement would fail unless it could obtain the official and determined cooperation of the Social Democratic party and the Social Democratic trade union federation. Whether or not it would be possible to bring the Communists and the Social Democrats together on this issue is more than doubtful. Although the workers who make up a large part of the Social Democratic party are undoubtedly republican, it has recruited a large middle-class membership which, if offered a choice between constitutional monarchy and Fascist dictatorship, would determine the party once more to choose "the lesser of two evils" in line with its policy of recent years. It should not be forgotten that, in 1918, Socialist leaders tried vainly to preserve the constitutional monarchy.

The German people are in reality republican neither by tradition nor by conviction. The republic is too young, nor has it ever had a chance to take root in the nation. Its schools have fostered the memory of a glorious past and deplored the troublesome present. Its youth has been poisoned by military propaganda, its passions fanned to a patriotic flame by the oppressive Versailles treaty and the burden of reparations. The republic came before there were republicans in Germany. To the Socialists and the Communists the political form of the State has always been of secondary importance. The hopelessness of an anti-monarchical movement led the Social Democratic party, about 1908, on the advice of August Bebel, to give up active opposition to monarchy as a State form and to concentrate its attacks on the autocratic absolutism of the Hohenzollerns. The middle classes have never had either democratic or republican traditions.

Unquestionably there are in Germany—not only among the workers—men and women who received the republic as a gift from fate, who greeted its coming as a harbinger of firmness and strength in the midst of chaos and defeat and accepted it whole-heartedly as the logical successor of monarchy. But they have become discouraged in a republic staggering under the burdens that monarchy and war left on the back of the German people. The short-sightedness of the five men in Paris who condemned the nation for the sins of its monarch is as much responsible for the failure of the republic as are those German statesmen who from the very beginning spoke of the republic as the *Deutsche Reich*—rarely as the *Deutsche Republik.*

Already two distinct groups, each with a definite social outlook, aspire to the succession. The Hugenberg party, the Steel Helmets and the present Cabinet, representatives of the

most reactionary elements in the country, are grooming the eldest son of the ex-Crown Prince for the throne. Their efforts to bring about, after a period of gradual adjustment of economic and social conditions, a replica of the régime under Kaiser Wilhelm are meeting with the vigorous opposition of the National Socialist party which counts as one of its greatest assets Prince August Wilhelm, popularly known as "Auwi," active member and show-propagandist of the Hitlerites. The struggle between the two groups is being carried on with a personal animosity that has resulted in an estrangement of the members of the royal family. Prince August Wilhelm expressed this difference in outlook recently when he stated that the character of the monarchy would be decided, not on the merits of old claims, but on the degree to which it reflected social conditions and political ideas of our more advanced times. There is more truth in this observation—it sounds like the Nazi publicity department of Dr. Hanfstaengl—than Prince Auwi, who has never been noted for his political sagacity, may realize.

The monarchy, if it does come, will be the expression of new economic and social forces. It will be less offensively autocratic in its dealings with the people than the old régime, though probably more arrogantly nationalistic toward the world outside. It will not be able to ignore the fact that the revolution, abortive though it was, instilled into the masses a certain degree of self-confidence and self-assertiveness; that the plain man, who once rendered unquestioning fealty to his royal ruler, saw his demigod, a mere panic-stricken mortal, flee from the country to escape retribution. The new monarchy will serve the interests of a determined dictatorship, but it will do so without the brazen effrontery of William II; it will proceed with greater caution, with an outward appearance of understanding for the needs of the masses calculated to undermine the menacing influence of the labor parties.

The monarchy is on the march. To the government, the army, the huge bureaucracy, the bourgeoisie and, more's the pity, to the youth of Germany, the medieval splendor and tattered glory of monarchist relics and knightly traditions once more have become life's highest ideal. The caricature that von Papen, von Schleicher and von Hindenburg have made of the German Republic has long lost its last defender.

# The Supreme Court Rules That—

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YEAR by year new problems of economic organization and business relationships, new ideas of social welfare, new clashes between wealth and government reach the Supreme Court. The membership of a body with such great power over the development of American society is, therefore, most important; the appointment of a new justice is an outstanding event. On Jan. 11, 1932, Oliver Wendell Holmes, for twenty-nine years a justice of the United States Supreme Court and recognized as the foremost living judge in the English-speaking world, retired from the court. Two months later his place was taken by Benjamin N. Cardozo, chief judge of New York State and long considered the ablest American judge outside the Supreme Court.

Decisions which divide the court are naturaly the most interesting, but they form only a small part of its work. During the 1931-32 session, in the cases which were of sufficient importance to receive full judicial opinions, the court divided in 26, but was unanimous in 129.

Of the unanimous decisions two settled long-standing doubts concerning the relations between the President and Congress. United States v. George Otis Smith construes the Senate rule on reconsideration of its confirmation of a Presidential appointment and holds the Senate cannot withdraw its confirmation after the President has been notified thereof and has issued a commission to the appointee. The Senate cannot change its mind even though the appointee's initial policies arouse regret that he was confirmed. It is interesting that the opinion was written by Justice Brandeis, who hardly shares Mr. Smith's views on water-power problems. Edwards v. United States held that the President can approve an act of Congress after Congress adjourns, thereby relieving him from the annoying necessity of remaining at the Capitol to sign last-minute legislation before the close of a session. The bill becomes law if he signs it within ten days; if he does not there is a pocket veto.

Another controversy related to the structure of government. The reapportionment of the national House of Representatives after the 1930 census changed the number of Representatives from many States and required new Congressional districts. By the Constitution, "the Legislature" of each State is to redistrict it. In Minnesota, Missouri and New York the two houses of legislators assumed that they were "the Legislature" and dispensed with the Governor's approval of the redistricting. The Supreme Court took the opposite view. Chief Justice Hughes says the meaning of "the Legislature" in the Constitution varies according to the particular action contemplated. Mere consent to Congressional acts like the ratification of a constitutional amendment needs only the two houses, but redistricting resembles lawmaking and is, therefore, subject to the Governor's veto. This invalidation of the New York redistricting bill leaves the old

districts unchanged, with two added Representatives to be elected at large. But in Minnesota and Missouri, where the representation is decreased, all the Congressmen had to be elected at large on Nov. 8.

Blackmer, head of an oil company involved in the Teapot Dome scandals, left for France to avoid testifying. Consequently, Senator Walsh of Montana obtained a statute making an American citizen residing abroad guilty of contempt if he disregarded a court order to become a witness, expenses paid. His American property can be seized to pay the fine. Blackmer's attack on the constitutionality of this law has failed. Chief Justice Hughes holds the duty to testify in his country's courts remains one of the obligations of a citizen wherever he lives.

The exemption from State income taxes on copyright royalties, which authors have enjoyed for several years, was abruptly ended by Fox Film Corporation v. Doyal. Chief Justice Hughes declared that neither copyrights nor patents were instrumentalities of the Federal Government untaxable by the States. By overruling a 1928 5-to-4 decision exempting patent royalties from State taxes, the entire court has now adopted the view expressed by Justice Holmes's dissenting opinion in the 1928 case. Dissenting opinions thus sometimes forecast the law of the future.

Regulation of billboard advertising is considerably strengthened by Packer Corporation v. Utah. This held valid a Utah statute forbidding tobacco advertising on billboards, placards and in street cars. Justice Brandeis quoted approvingly the distinction drawn by Judge Folland of Utah between billboards and advertisements in newspapers and magazines, which the statute permitted:

> Billboards, street-car signs and placards, and such, are in a class by themselves. * * * Advertisements of this sort are constantly before the eyes of observers on the streets and in street cars, to be seen without the exercise of choice or volition on their part. Other forms of advertising are ordinarily seen as a matter of choice on the part of the observer. * * * In the case of newspapers and magazines, there must be some seeking by the one who is to see and read the advertisement. The radio can be turned off, but not so the billboard or street-car placard.

The movement toward economic planning has received some support from two unanimous decisions upholding State regulation of oil and gas production. Bandini Petroleum Company v. Superior Court sustained a California statute allowing the State to sue to enjoin unreasonable waste of natural gas. Chief Justice Hughes pointed out that gas and oil spread continuously under land of many different surface owners, so that waste by one producer draws down the future supply of his neighbors. Consequently he upheld the statute as an endeavor to preserve the coexisting rights of surface owners. He expressly left open the alternative argument for the statute—the interest of all the public in the conservation of natural resources.

Even more drastic legislation was substantially sustained in Champlin Refining Company v. Corporation Commission. The Oklahoma commission was empowered by law to determine the amount of oil which could be taken from a field without waste and to prorate this total among the various surface owners in the field.

Chief Justice Hughes had his first opportunity to discuss liquor regulation in McCormick v. Brown, which will be of importance if the Eighteenth Amendment is repealed. He maintained that the Webb-Kenyon act is still in force, so that States can exclude liquids they consider intoxicating even though legal under Federal law.

About half of the twenty-six divided decisions last session repay detailed examination as showing persistent rifts in the court. During the 1930-1931 session the judges tended to fall into three groups. Four justices—Van

Devanter, McReynolds, Sutherland, Butler—were inclined to limit the powers of Legislatures and commissions over property and business. Three justices—Holmes, Brandeis and Stone—interfered more reluctantly with these governmental bodies. It has been the fashion to describe these two judicial groups by labels which vary with the critic's personal views, "conservative—liberal," "strict—flexible "sane—socialistic." The balance of power between them was held in 1930-31 by a third group, consisting of the two latest appointees, Chief Justice Hughes and Justice Roberts, who that year sided oftener with the second group. A review of the divisions during the past Winter discloses their more recent attitude.

A pressing governmental problem today concerns the powers of commissions. The old enthusiasm of the Progressive period for entrusting the regulation of commerce and industry to one or more specialists trained in the particular field has given place to a marked reaction. Commissioners are no nearer perfection than other people, and their mistakes have been pounced on by business men who do not want to be regulated at all. Furthermore, commissions have often become political footballs. Membership carries less prestige than judgeships and sometimes attracts henchmen rather than experts.

Naturally, some Supreme Court justices share this distrust of commissions and tend to restrict them. On the other hand, the dangers to human health and welfare created by modern business call for some kind of regulation. This does not benefit merely the poor. Railroads can overcharge shippers for freight; utilities can overcharge manufacturers for power and light. Unless we are to have no regulation whatever, somebody has got to do the regulating. Legislators are too busy upon multitudinous diverse tasks to inspect slaughter houses and constantly revise freight rates. Judges often think they should have the last word where property rights are involved; yet such able judges as Holmes and Brandeis have questioned their own capacity to apportion transcontinental freights or value utilities better than members of commissions. Even the more hostile justices have recognized, as in the Oklahoma oil proration case, the usefulness of commissions in showing business men in advance exactly what they must not do instead of leaving them guessing at their peril about the meaning which courts would give later to vague legal standards of conduct like "unreasonable waste" or "restraint of trade."

The conflicting views about commissions appeared in four divided cases last session. In the Rock Island case the Interstate Commerce Commission regulated payments for freight cars borrowed from other railroads. It adopted the previous practice of a daily rental for a car, regardless of the miles it ran, but ordered that railroads less than 100 miles long should have two days free time. The court invalidated this provision. Short roads must pay the same rental as long roads; otherwise the property of the railroads owning the freight cars is confiscated. This view of Justice Sutherland was shared by Justices Van Devanter, McReynolds, Butler and also by the Chief Justice and Justice Roberts. A dissenting opinion by Justice Stone for the "liberal" group said the commission had to face a condition of extraordinary complexity, not a theory. The daily rental is not an exact compensation for freight cars, only a rule of thumb. Although easy to apply and usually a fair enough measure, justice requires its modifications for special cases. The short lines need help because their terminal expenses form such a large proportion of their earnings; the two free days are a reasonable attempt to offset that burden. The Constitution requires only a fair working rule like this, not a standard of unattainable exactness.

Two other divided decisions reversed the Interstate Commerce Commission. In the Baltimore & Ohio case, the same majority judges imposed a rigorous standard of procedure upon the commission at the sacrifice of justice in the particular case. Arizona Grocery Company v. Atchison, Topeka & Santa Fe, in which Justice Stone joined the majority, presented a fundamental conflict between the desirability of enabling private citizens and corporations to rely on administrative action until a new rule is definitely established and the freedom of governmental bodies to make the fairest possible regulations, however late in the day. The commission had fixed a maximum rate mistakenly high and tried to revise it retroactively, but this the court would not allow. The decision has the disadvantage of obliging the commission to re-examine the rate structure more often.

A fourth commission case, Crowell v. Benson, was the most far-reaching of all the decisions of the court last session. In 1927, after the court had denied State Legislatures power to provide compensation for injured longshoremen and harbor workers, Congress set up a system of Federal workmen's compensation for accidents on navigable waters. Its administration was entrusted to the United States Employes' Compensation Commission, which appointed deputy commissioners in different districts to try and decide claims for compensation. A compensation order "not in accordance with law" could be set aside by a Federal court. Many thousand claims have been settled by deputy commissioners with very few resorts to judges.

Recently, Deputy Commissioner Crowell decided that one Knudsen was injured upon navigable waters while employed by Benson. Benson attacked this award in court, maintaining that Knudsen was not in his employ when the injury occurred. The lower Federal judge so decided, and set aside the award. He gave no weight to Crowell's finding that Knudsen was Benson's employe or to the record of testimony taken before Crowell, which the judge did not even read. In short, the judge completely retried the case and disregarded everything which happened before the deputy commissioner. His action was sustained by a bare majority of the Supreme Court. Chief Justice Hughes wrote the opinion, in which the "conservative" justices concurred. The three dissenters were Justices Brandeis, who wrote the minority opinion, Stone and Roberts. Justice Holmes was gone; Justice Cardozo had not yet joined the court.

This decision imposed two serious limitations upon the powers previously supposed to belong to a commission or other administrative body. First, the majority refused to apply the usual rule that the administrative findings of fact are final and will not be altered by a court unless—and nothing of the sort had happened here—the administrative body misinterpreted the statute or decided without any evidence to support its conclusion. For example, if an immigrant is excluded as insane and there is a little evidence of insanity, a Federal judge cannot admit the immigrant even if he considers that a great preponderance of evidence shows the immigrant absolutely sane. Congress has entrusted the admission of foreigners to the Immigration Bureau, not to the courts.

Chief Justice Hughes did concede a similar finality in the maritime compensation cases to the deputy commissioner's findings about such facts as the reality of an accident and the seriousness of the workman's injuries. But the issue in the Benson case—was the injured man an employe?—was, he says, entirely different. The deputy commissioner had no power to pass on the claim unless the victim was employed

by the defendant. If the deputy commissioner were the ultimate judge of the very facts which gave him any power to judge at all, he would be pulling himself up by his bootstraps. Consequently, such "jurisdictional facts" could be reviewed by a Federal court. The second limitation on the compensation commissioner allowed this review in court to be made upon fresh evidence. In most reviews of administrative bodies the judges do not hear witnesses, but simply examine the testimony given before the administrative officials, and decide whether or not the record justifies the administrative result. In the Benson case the record was not even read.

Nobody knows exactly what was decided in this case. Even if its doctrines are confined to maritime compensation cases the consequences will be unfortunate. If the employer can always carry material issues to the courts and save his best witnesses for the judge, these cases will really be settled in court instead of before the deputy commissioner as the statute planned, so that the attempt of Congress to provide a cheap and speedy method by which an injured workman and his family can avoid being wiped out by a maritime disaster will be largely defeated. The results will be even worse if the decision is applied to other types of administrative action. The line the majority suggests between "jurisdictional facts" and other facts is by no means clear. Skillful argument can present as jurisdictional almost any fact tried by an administrative official. Whether such arguments succeed or not, litigation before Federal commissions will be more complicated and expensive, and practical questions which Congress meant to be quickly decided by specialized experts will drag on for years from one court to another.

No problem creates judicial divergences oftener than taxation. Last session the court divided on eight tax cases, of which five deserve mention. Hoeper v. Wisconsin held that a State cannot combine the separate incomes of a man and his wife living together, impose a graduated surtax as if the unified result were one person's income, and collect the whole family income tax from the husband. Justice Roberts, for the majority, said that the husband no longer owns his wife's property and earnings. The statute is unfair in partly measuring the man's tax by another person's income. Justice Holmes, in what was his last dissenting opinion, was supported by his old minority associates. Each spouse, he said, does in fact receive the benefit of the other's income. Since the Legislature can make the husband liable for his wife's debts, it may also enact "that he shall be liable for taxes on an income that in every probability will make his life easier and help to pay his bills."

Formerly a decedent's relatives might be forced, with the court's sanction, to pay inheritance taxes in three or four different States, besides supporting the Federal Government. During the past three years the majority judges have gradually eliminated inheritance taxes except for the State where the dead man lived. First National Bank v. Maine practically completed this process by upsetting an inheritance tax on stock, levied by the State of incorporation. Justices Holmes, Brandeis and Stone steadily refused to take part in this series of judicial somersaults.

At present a decedent's estate pays only two inheritance taxes—to his own State and to the Federal Government. This being heavy enough to make some live millionaires give away large amounts, Congress in 1916 extended the Federal tax to gifts in contemplation of death. But it was hard for the government to prove the decedent's intention, and so the act of 1926 imposed an inheritance tax on all gifts, regardless of motive, made within the last two years of a man's life. This provision, however, was held

unconstitutional in Heiner v. Donnan. Justice Sutherland pointed out the undiscriminating quality of the statute and was joined in the opinion by the Chief Justice and Justice Roberts. Justice Stone, with Justice Brandeis's concurrence, defended the law as necessary to avoid evasion of inheritance taxes. Justice Cardozo did not participate. The practical effects of the decision are considerably lessened by the 1932 gift tax, which renders the generosity of the living almost as expensive as that of the dead. The government receives some revenue from the gift even if it cannot be proved to be in contemplation of death.

The court divided, but differently, in Pacific Company v. Johnson. This allowed a State to reach the tax-exempt bonds of a corporation by subjecting it to a franchise tax measured by the corporate income of the preceding year from all sources, including interest from Federal, State and municipal bonds. Justices Van Devanter, Sutherland and Butler dissented as in the somewhat similar Educational Films case of the year before. This was the first divided case in which Justice Cardozo participated.

During the war the Coronado Oil and Gas Company drew its entire income from wells on public lands leased from Oklahoma, which used the rentals for schools. Justice McReynolds held it would be a burden to the State to make the oil company pay any Federal income and excess profits taxes for 1917, 1918 and 1919. Chief Justice Hughes, Justices Van Devanter, Sutherland and Butler agreed. Their decision was largely based on an older case. The four dissenting justices—Brandeis, Stone, Roberts, Cardozo—thought this case already overruled. Those who paid wartime income taxes have some difficulty in comprehending how this bonanza to the oil company helped the Oklahoma public schools. The possibility that the State could obtain higher rentals for its oil fields if lessees were tax-free seems speculative. Oklahoma did not care about this case enough to employ a lawyer to oppose the taxes. Buyers of State property, moreover, do not escape Federal taxation on the theory that they would pay a higher price if exempt. The fact is that the governmental instrumentality doctrine, which tries to protect the States and the nation from remote results of each other's taxes, has led the court into hopeless metaphysical tangles.

One case under the Sherman antitrust act split the court, United States v. Swift. The combination of the five leading meat packers was dissolved in 1920 by a decree entered with their consent forbidding them to sell meat at retail or to manufacture or sell groceries. Despite their consent, the packers persistently tried to invalidate this decree and succeeded in having its operation suspended by a lower court for four years. In 1930 Swift and Armour regarded the rise of chain stores and other developments as having so completely changed conditions in the food business that they should be permitted to operate retail meat markets and to deal in groceries. The same lower court modified the consent decree to permit all the leading packers to deal in groceries wholesale. The government and various grocers' associations appealed. The Supreme Court reversed this decision and continued the original decree keeping the packers out of the grocery business. Justice Cardozo, in his first majority opinion, said:

> Size carries with it an opportunity for abuse that is not to be ignored when the opportunity is proved to have been utilized in the past. * * * Size and past aggressions induced the fear in 1920 that the defendants, if permitted to deal in groceries, would drive their rivals to the wall. Size and past aggressions leave the fear unmoved today. * * * The difficulty of ferreting out these evils and repressing them when discovered supplies an additional reason why we should leave the defendants where we find them, especially since the place where we find them is the one where they agreed to be.

Justices McReynolds, Brandeis and Roberts concurred. Justice Butler in a

dissenting opinion supported by Justice Van Devanter thought that the proposed change would not give the packers any undue advantage over wholesale grocers. This was a 4-to-2 decision because the Chief Justice and Justices Sutherland and Stone did not participate.

The only important divided case on civil liberties was Nixon v. Condon. After Nixon, a Negro, had upset a previous Texas statute expressly barring Negroes from Democratic primaries, the Texas Legislature substituted a law allowing every political party to prescribe the qualifications of its own members. The Democratic State Committee thereupon resolved that only whites could vote at primaries. Nixon was again excluded, and again vindicated his rights. His chief difficulty was that the Fourteenth Amendment forbids a "State" to take away rights, but does not apply to wrongs by private persons. Justice Cardozo, however, for the majority said that the Texas Democratic party was not a voluntary association like a social club, but acted under legislative authorization, so that Nixon was still excluded by the State of Texas. This view was shared by the Chief Justice and by Justices Brandeis, Stone and Roberts. The four dissenting justices said that the Legislature did not authorize the Democratic party but merely recognized its existence. Texas left the blacks as free as whites to organize their own political parties, so there was no unlawful discrimination against Negroes.

Perhaps the Texans will make a third attempt to bar Negroes from Democratic primaries, by repealing all primary laws and letting the Democratic party make its own rules of eligibility without reliance on statutes. Even so, the court may still enable Negroes to vote at primaries, because, as Justice Cardozo reasons, the realities of political life today make political parties "the agencies of the State, the instruments by which government becomes a living thing." Meanwhile, as Justice Holmes remarked, Texas Negroes now possess at the primary the rights which theretofore they had enjoyed at the general election.

Finally, two divided cases concern miscellaneous regulatory legislation. In Coombes v. Getz, creditors of a California corporation sued a director, under a clause of the California Constitution making directors individually liable for all money embezzled from the corporation during their term of office. In the middle of the litigation this harsh rule was repealed. The State court then dismissed the suit, relying on another clause of the State Constitution which allowed all laws about corporations to be amended or repealed. The majority of the Supreme Court held the director still liable. Justice Sutherland said that the repeal could not cut off the vested rights of the creditors. Justice Cardozo, in his first judicial opinion at Washington, dissented, with the concurrence of Justices Brandeis and Stone, on the ground that the directors' contractual liability to the creditors was known by them to be destructible if the State Constitution should thereafter be amended.

The most discussed case of last session, New State Ice Company v. Liebmann, held invalid an Oklahoma statute declaring the manufacture, sale and distribution of ice to be a public business which should not be carried on without a license, and provided that a license could be refused to a new ice dealer in a community where existing business afforded adequate services. Justice Sutherland for the majority said that the ice business was not a public utility but was essentially private, and could not be singled out from other enterprises for this drastic regulation which was designed to protect consumers by preventing impurity or extortion. This statute does not prevent monopoly, but tends to foster it, and no question of conservation of natural resources was involved. The

States could not push experimental legislation to the length of depriving citizens of the privilege of engaging in ordinary trades. The Chief Justice, Justices Van Devanter, McReynolds, Butler and Roberts concurred. Justices Brandeis and Stone dissented. Justice Cardozo did not participate.

The dissenting opinion of Justice Brandeis dealt much less with legal precedents than with conditions in the ice business. He showed that duplication of plants and delivery service is wasteful and ultimately burdensome to consumers. The business needs protection from destructive competition. In concluding he said: "The people of the United States are now confronted with an emergency more serious than war. Misery is widespread, in a time, not of scarcity, but of overabundance." Many persons think that a main cause of this disaster is unbridled competition and insist there must be some form of economic control. The only way to prove if this view be sound is to permit experiments to be tried. In the exercise of its power to prevent experiments, the court must be on its guard lest prejudices be erected into legal principles.

This clash of views as to the proper function of government is likely to be repeated whenever various forms of economic planning, by limitation of production, proration or otherwise, come before the court. Such schemes will not always be invalidated. Oil and gas regulation, as we have seen, was permitted because of the close interrelation among surface owners. Still, the important divided decisions of last session bring out a persistent cleavage in the court. Justices Van Devanter, McReynolds, Sutherland and Butler almost always hold together. This group is large enough to be in the majority in most cases, but time is against it. The manner in which its members approach constitutional problems is almost completely discarded in the leading law schools and this will necessarily have a great influence upon the bar and the judges of the next quarter century. The future lies with the present minority of three, in which the loss of Justice Holmes has been replaced by Justice Cardozo. As Justice Brandeis grows older, Justice Stone stands out as the vigorous exponent of the ideas of this group in arguments of a strong, lawyer-like quality. Justice Cardozo brings to it his long experience of State problems and a mastery over felicitous words. The attitude of the remaining two judges is much harder to predict. Chief Justice Hughes and Justice Roberts have been on opposite sides several times during the past session, and in these cases the Chief Justice has always joined the four members of the "conservative" group.

The cleavages thus roughly indicated cannot be rigidly defined. The group which usually gives legislative powers a wide scope where business is concerned limited those powers in Nixon v. Condon. The same group, although frequently called socialistic, upheld a wealthy director in Coombes v. Getz. Nor is the divergence of views confined to economic issues. The court split up in just the same way in a six-to-three decision on a purely procedural question arising out of a will case in the District of Columbia, where Justice Sutherland refused to correct a palpable judicial error because the loser had delayed his appeal too long, while the usual minority dissented because, as Justice Cardozo said, "a system of procedure is perverted from its proper function when it multiplies impediments to justice without the warrant of clear necessity."

Several of the justices will probably retire before very long. Justice Brandeis is 76, Justice Van Devanter 73, Justice Sutherland 70, and the Chief Justice 70. This possibility of a considerable change in the membership of the court brings still more uncertainty to its future decisions.

# Austria: A Nation Paralyzed

*By* VERA MICHELES DEAN,
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NOWHERE, perhaps, are the political and economic forces now at work in Central Europe so definitely crystallized as in the little mountain republic of Austria. Here, as in a microcosm, may be watched the conflict between the desire for economic self-sufficiency and the need for international cooperation; the struggle of socialism against fascism, and of both against the bourgeois State; the desperate efforts of an industrial civilization to maintain its hard-won standard of living in the midst of a world economic crisis.

Austria's economic system, which had never become completely adjusted to the settlement of the Treaty of Saint-Germain, and had only indirectly benefited by the post-war boom, proved peculiarly susceptible to the world depression. Shorn of its privileged position as the central unit in the Habsburg empire, in which it enjoyed a free-trade market for its luxury goods while receiving Hungarian agricultural products and Czech raw materials, Austria found that its very existence depended on the continuance and development of export trade. Even during the relatively prosperous years, 1926-28, when Vienna had recovered something of its former prestige as the trade and banking centre of the Danubian region, Austria presented the paradox of a primarily industrial country, forced to import such basic foodstuffs as wheat, while its manufactured goods encountered high tariffs in the Succession States. Since then the sharp decline in the purchasing capacity of the agrarian countries—Hungary, Yugoslavia, Rumania, Poland and Bulgaria—which together absorbed one-fourth of Austrian exports, and the introduction of foreign exchange restrictions in Central and Eastern Europe, have practically paralyzed Austrian foreign trade.

In the struggle to retain dwindling markets, Austrian industry is handicapped both by its character and its high cost of production. Austria has always specialized in the manufacture of luxury goods, which do not lend themselves easily to standardized production, and find no ready purchasers in hard times. Moreover, the necessity of importing all basic raw materials, the lack of capital for the modernization of plants, the cost of social insurance, high taxes and the relative inefficiency of labor, have made it difficult for Austrian industry to reduce its cost of production to a level at which it can compete successfully with German or Czechoslovak manufactures.

The curtailment of exports has been accompanied by a still more drastic reduction in imports, with the result that during the first half of 1932 Austria enjoyed a more favorable balance of trade than for the corresponding period in 1931. This balance, however, was due largely to import prohibitions and foreign exchange restrictions, and represented no real improvement in the country's economic situation. In April, 1932, having failed to obtain outlets for its exports, Austria retaliated by prohibiting the importation of various foodstuffs and of manufactures which compete with Austrian products, such as shoes, paper, cotton goods, and motor cars.

These prohibitions have benefited the peasant more than the industrialist. The former, who already enjoyed the protection of a tariff favorable to agriculture, now receives higher prices for his products than his Hungarian or Yugoslav neighbor, while the industrialist fears that import prohibitions will provoke retaliation by the countries to which he exports. As for the Austrian consumer, he, as usual, has been ground between the upper and the nether millstone and has found his cost of living mounting steeply at a time when his income has dwindled or remained stationary.

The foreign exchange restrictions introduced in October, 1931, have been even more effective than import prohibitions in limiting imports. In principle the Austrian National Bank alone can buy and sell foreign exchange; private transactions are prohibited and severely punished. Every exporter must turn over to the National Bank the foreign exchange obtained for his exports, and in return receives schillings (at par the schilling is worth 14.07 cents) at the official rate, which is from 25 to 30 per cent lower than that quoted on foreign markets or on the illegal "black bourse" in Vienna. Similarly, every importer must apply to the National Bank for the foreign exchange needed in his business. Until July, 1932, however, when the government established a virtual moratorium on foreign debts, the bank used its foreign exchange chiefly for service on foreign loans and granted not more than 1 or 2 per cent of the importers' demands.

In practice, the necessity of continuing Austria's export trade made relaxation of the system imperative. Such relaxation has been achieved by two methods, both of which are authorized by the National Bank—private clearings, under which Austrian exporters sell foreign exchange directly to Austrian importers, at a premium, and private compensation agreements, by which Austrian exporters agree to accept schillings from their foreign clients instead of foreign currency. The compensation principle has also been embodied in a number of clearing agreements which Austria has concluded with neighboring countries during the past year. Thus an Austro-Rumanian clearing agreement, which went into effect in July, 1932, provides that balances of Austrian schillings held by Rumanian citizens may be applied to the payment of Austrian exports and of other debts, provided the Austrian creditor agrees to this procedure.

Both government control of foreign exchange and official quotation of the schilling at a fictitious rate which ignores its devaluation abroad have been attacked by Austrian industrialists and economists on the ground that they seriously hamper exports, now practically the only source of foreign exchange. The government is consequently urged to stabilize the schilling at its depreciated value and to remove exchange restrictions, without waiting for parallel action by Austria's neighbors. A similar course is dictated by the Lausanne Protocol of July 15, 1932, which, as a condition of a new international loan to Austria, provides that "Austrian monetary policy will aim at the abolition as soon as possible, subject to the necessary safeguards, of the difference between the internal and external value of the schilling, and, in consequence, at the progressive removal of the existing control over exchange transactions and the resulting obstructions to international trade."

While the Austrian National Bank, according to authoritative sources, favors stabilization of the schilling in the near future, the government fears that such action would completely undermine the confidence of the public, which vividly recalls post-war inflation, and might precipitate a financial panic. The removal of exchange restrictions is even more vigorously opposed in government circles,

where it is argued that Austria would then lose its last remnants of foreign exchange without materially increasing its exports.

The world crisis, by creating new barriers to Austrian trade, has strengthened the belief that Austria is unable to exist as an independent economic unit, and that only a customs union with one or more States offers a chance of survival. No agreement has been reached, however, as to the States with which such a union should be concluded. The French plan for a Danubian federation has met with a cold reception in Austria, where it is regarded as an impracticable scheme devised solely to consolidate France's political control over Central and Eastern Europe. The fiasco of the project for an Austro-German customs union which, in the opinion of a majority of the World Court, violated Austria's obligations under the Treaty of Saint-Germain and the Geneva Protocol of 1922, has dampened the government's interest in this particular solution of the country's economic problems. Moreover, the Lausanne Protocol, by prolonging for twenty years the terms of the Geneva Protocol, in which Austria undertook to abstain from any economic or financial engagement "calculated to compromise its independence," prevents the renewal of Austro-German negotiations in the near future. Finally, while both the Christian Socialists, who control the government, and their principal opponents, the Social Democrats, continue to pay lip-service to Austro-German customs union, they feel little enthusiasm for economic rapprochement with the Reich now that nationalism and fascism are in the ascendant in Germany.

The decline of foreign trade, with a consequent drop in customs receipts, has dealt a severe blow to Austria's already strained finances. The 1931 budget closed with a deficit of over $42,000,000, and a further deficit in 1932 can be avoided only by some miracle. In the Lausanne Protocol, however, Austria undertook to make every effort to balance the budget by "further permanent economies." These economies, according to Austria's foreign advisers, should be effected by a reform of unemployment insurance and a reorganization of the Federal Railways—the two principal drains on the national budget.

Unemployment, a chronic phenomenon in Austria since the war, has risen during the past two years, and it is now estimated that every twelfth Austrian is out of work. Nearly 400,000 are receiving unemployment benefits, while some 16,000 have been thrown back on their own resources. Contributions by workers and employers have not been sufficient to meet the mounting cost of unemployment relief, with the result that the Federal Government has been obliged to contribute about $17,640,000 for this purpose. Reduction of unemployment benefits paid to workers and employes is urged as the only method of checking this increase in State expenditure. The Social Democrats, however, vigorously oppose any reduction and argue that the cost should be covered by an increase in the income tax and a cut in army and police appropriations.

The situation of the Federal Railways is also alarming. The annual railway deficit, which in 1931 amounted to $10,820,000, was only in part the result of the decline in traffic receipts. The chief difficulties may be traced to two causes—inefficient administration, involving unnecessary expenditure and red tape, and the high cost of pensions paid to employes whom the railways were forced to dismiss after the break-up of the Austro-Hungarian Empire. In a report presented in May, 1932, Dr. Herold, the government's Swiss railway adviser, outlined a program of reforms which would transfer certain financial burdens from the budget of the railways to State and local budgets and would reduce expenditure by methods ranging from

the application of the eight-hour day to savings in the purchase of materials. The principal economies, however, would be effected by a further reduction of the staff and a decrease in pensions. While the Austrian Government, by the Lausanne Protocol, has undertaken to carry out this program without delay, the Social Democrats are opposed to any measures that threaten to increase unemployment or lower the standard of living of railway employes.

Austria's financial position was further weakened in the Spring of 1931 when the government, fearing that the collapse of the Creditanstalt would provoke panic at home and abroad, guaranteed practically all the liabilities of the bank, including the claims of its foreign creditors, which totaled $63,000,000. Dr. van Hengel, the Dutch adviser of the Creditanstalt, at first attempted to free the bank of all obligations by converting its total debt to foreign creditors and the major part of its $95,200,000 debt to the National Bank into a State debt to be repaid over a period of years. The government, however, categorically refused to shoulder this burden. Negotiations now in progress with foreign creditors propose repayment of their claims in three forms—shares of the reorganized Creditanstalt, shares of a neutral holding company formed with the bank's foreign assets and annuities to be paid by the government.

The guaranteed twenty-year loan of $42,000,000 which Austria is to receive under the Lausanne Protocol cannot materially alleviate the country's economic situation. Even if the full amount of the loan is raised by the participating countries—France, Great Britain, Italy, Czechoslovakia, Switzerland, Holland, Belgium and Spain—little or no money will come directly to Austria. The main purpose of the loan is not to rehabilitate Austrian economy but to facilitate repayment of some of the country's foreign obligations. Thus about $28,000,000 is to be used to repay credits granted in 1931 by Great Britain and the Bank for International Settlements, and the balance is to be assigned for the payment of arrears on foreign debts which have accumulated since the establishment of the transfer moratorium in July, 1932, and which will total $20,720,000 by the end of this year. The inadequacy of the loan and the onerous conditions imposed by the Lausanne Protocol, which was passed by the Austrian Parliament by a majority of only one vote, have been denounced by all parties. Nevertheless, it is generally recognized that the loan was sorely needed to give Austria a breathing-space.

It is doubtful, however, that this breathing-space is sufficient to set Austria's house in order. The international economic conferences which have followed in quick succession during the past few years have created the hope in Austria that "something will turn up," and have discouraged attempts at internal readjustment. Moreover, Austria has acquired the habit of turning to the League of Nations for aid and advice in moments of crisis, with the result that it now has as many foreign advisers as a backward Oriental country—with a League representative, Rost van Tonningen, a Dutch adviser in the Creditanstalt, a French adviser in the National Bank and a Swiss adviser for the Federal Railways—all of whom draw handsome salaries from the Austrian Government and are unable to agree on a program that would put the country on its feet.

For this situation the Austrian character and the profound cleavage between Christian Socialists and Social Democrats are in part responsible. Light-hearted and good-natured, the Austrian is more interested in music and art than in politics, and is probably the least nationalistic of the European peoples. Ever ready, over his cup of coffee, to denounce the government for cowardice and inefficiency, he

lacks the energy to remedy the existing system. Largely as a result of this political indifference, the party alignment has undergone little change since the war. The conservative and Catholic Christian Socialists, entrenched in the provinces, have almost continuously controlled the federal government; their policy, both at home and abroad, has been favorable to the interests of the peasants, in spite of the fact that the country is 60 per cent industrial. The death of Mgr. Seipel, the most distinguished figure in Austrian politics, has deprived the party of leadership at a critical moment. The present Cabinet, headed by Chancellor Dollfuss, is fitted neither by training nor experience for the herculean task of economic reconstruction.

In contrast to the provinces, Vienna, which contains one-third of the country's population, is ruled by the Social Democrats, who represent the interest of workers and intellectuals. The Social Democrats, ably led by Otto Bauer and Karl Renner, though the most radical Socialist party in Europe, remain bitterly opposed to communism. It is a tribute to the party that, in a period of acute economic crisis, it has succeeded in keeping up the morale of the workers by notable social improvements, such as housing, without encouraging violence and extremism. The gradual socialization of Vienna, effected chiefly at the expense of industry by means of drastic taxes, may be taken as an indication of the policy which the party would follow if it should obtain control of the federal government. While the Social Democrats are probably the most resourceful and progressive party in Austria, their prospects are distinctly limited by the fact that they enjoy practically no following outside Vienna.

The power of both Christian Socialists and Social Democrats has been recently challenged by Hitlerism, which threatens to swallow up the small conservative parties—the Economic party, formed by the late Dr. Schober; the Pan-Germans and the *Heimatbund*. The Hitlerites, as yet unrepresented in the Austrian Parliament, draw their adherents mainly from the lower bourgeoisie—shopkeepers and government employes—and take their orders direct from Munich. The Austrian Hitlerite program, which is even vaguer and more heterogeneous than that of the German Nazis, is bitterly anti-Semitic and is directed principally against socialism. The conflict between Hitlerism and socialism, both of which are essentially opposed to the liberal bourgeois State, is all the more dangerous because of the existence of three party militias—the Hitlerite Brown Shirts, the Socialist *Schutzbund* and the reactionary *Heimwehr,* which in 1929 staged an unsuccessful *putsch* against "Red Vienna."

The limitation of Austria's resources and its peculiar dependence on foreign trade must hamper all attempts at fundamental internal reform as long as Europe remains shackled by tariffs and exchange restrictions. Revision of the peace treaties, which might enlarge Austria's internal market, is not only impracticable in a period of sharpened nationalism, but perhaps undesirable. Economic self-sufficiency, while not inconceivable as a last resort, could be achieved only by lowering the Austrian standard of living to a pre-industrial level. Austria's only hope is that its neighbors will be driven by sheer necessity to lower their tariff walls and that Vienna may then again become the middleman of Central and Eastern Europe, a function for which it is admirably equipped by its geographical position.

# The Rebel Mood in Literature

*By* JOHN COURNOS

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OUT of the welter of currents and cross-currents in contemporary literature emerge two important tendencies. One is the association of literature with life; the other is an intense dissatisfaction with a life which writers and artists recognized as socially bankrupt long before the World War revealed the full extent of that bankruptcy. The World War may have been directly the result of secret treaties, of the intrigues of diplomats, of commercial greed; in a larger sense--and that is what creative minds grasped—it was only incidental to the general processes of social disintegration.

The artist found himself poised on the horns of a dilemma: he wanted to make himself a part of life, yet could not accept the life he found. Consciously or unconsciously, he set about attacking all virtues which fall loosely under the general term of "bourgeois," or "middle class." It is not within the purpose of this study to define these virtues, which are, in any event, characteristic of an industrial society.

The late Arnold Bennett, in spite of undeniable gifts, is a perfect example of the "bourgeois" writer, and his recently published *Journal,* covering the years 1896-1910, is for that reason a revealing document. He cites repeatedly and insistently the number of words written and the amount of money earned and to be earned, with summaries of results attained at the end of the year; all very much in the manner of a merchant keeping the books of his trade rather than of a serious writer who regards his art in the light of a sanctified calling. There are, to be sure, other things in the *Journal*—the tittle-tattle of the time and the occasional—very occasional—interpolations with regard to the craft of writing, but from the standpoint of "efficiency," which Bennett held to be a cardinal virtue. Even more rare are the references to the art of living, which again is a matter of efficiency: "Clumsiness in living is what I scorn."

What of his interest in humanity? We have, perhaps, the right to ask this question about a serious writer. And we have this answer: "Love of justice, more than outraged sensibility of suffering and cruelty, prompts me to support social reforms. I can and do look at suffering with scientific (artistic) coldness. I do not care. I am above it." But this is the sort of thing which the literary rebel cannot understand in a writer. Even the isolated remark that the "essential characteristic of the really great novelist is a Christlike, all-embracing compassion" is discounted on reflection. After all, what the author means is compassion as a part of the technical equipment of a writer, and not at all as a virtue in itself from which the novelist derives his urge to write and to act, with the object of effecting social change, of radically modifying the treatment of human beings by one another.

In considering the changed temper of writers of our day, a document such as Arnold Bennett's assumes added importance, since it not only gives complete expression to the so-called bourgeois attitude in a writer but also because it thereby furnishes the point

of departure for the writer who is in revolt against this attitude of comfort, of complacency, of satisfaction with things as they are. But the older writers of the bourgeois world were not by any means united—that, too, being an indication of social disintegration.

The heyday of Bennett was also that of H. G. Wells, the Wells of *Kipps* and *Mr. Polly*, not the later Wells who was to confess to Lunacharsky that as "a serious writer" he acknowledged the tremendous importance of propaganda "by means of art" and asserted that only non-serious artists are preoccupied solely with "giving form to the thoughts and feelings of their readers." Such productions, Wells added, have no other value than to give "immediate pleasure," the pleasure of "merely aesthetic art."

It was also the period of Thomas Hardy, the "modern Aeschylus," summoning out of eternity the dark fates which dog man's footsteps; of George Meredith, who portrayed contemporary social failings in terms of comedy, in scenes always retaining the pictorial sense, never—not even in his idealizations of women—lowering his art to preach; of Rudyard Kipling, who spun exciting patterns on the rug of empire, patterns to be remembered for themselves—no one cares now what they were meant to glorify; of J. M. Synge, the Irishman, who attained in the sheer poetical beauty of dramatic dialogue the level of Elizabethan poetry; of Joseph Conrad, who made it his primary duty "to tell a story," with an incidental tribute to "loyalty" which adds but little to his art. And, of course, there was Shaw, the one confessed propagandist, whose preachments were somehow overlooked in his art and whose windy prefaces to his plays were read—if read at all—for pure diversion. I have almost forgotten George Moore, survivor of the so-called gay nineties, who still writes as if there were never a "problem" in this world.

Standing apart from these were the men of the same period—the aesthetes of *Yellow Book* fame, such as Edward Dowson, Aubrey Beardsley and Arthur Symons—who swore by Walter Pater and his celebrated dictum about the arts "tending toward the condition of music." The movement received its quietus in the Wilde trial and the Boer War. That war, like all others, did not pass without affecting the arts; it killed Bohemia and gave a new direction to literature. Social problems and social criticism became the order of the day in plays and novels. Men like Galsworthy and Chesterton and Shaw, all social critics, came to the fore; and Wells was still in the incipient stages of propagandist art.

While Hardy sought "escape" in the Greek tragic formula of the workings of the inevitable fates, while the aesthetes sought it in hashish, opium and fantasies of obscure beauty, while the social-conscious critics sought it in interpreting or attacking the social order, men like Bennett, to use an apt epigram of Oscar Wilde, overcame temptation by yielding to it. Not for nothing did they count their words; words were money; the year's total of words made so many articles, so many books. "Till the end of 1899," wrote Bennett in the Autumn of the previous year, "I propose to give myself to writing the sort of fiction that sells itself."

Can it be denied that there is an air of smugness about the statements quoted, expressive of the worst features of the Victorian age? The little Bennetts, the "machines" of literature, indeed became legion on both sides of the Atlantic, filling the land with what Edward J. O'Brien calls the "formula story," vying with the canned arts like the moving picture, responding to the law of supply and demand and furnishing opiates for the millions caught in the social impasse and its attendant tedium. Literature became a manufactured product, like any other; it entered the lists of "mass production."

Inevitably, at the same time, interpreters arose in opposition. Their interpretations, with a few blunt exceptions, conveyed their implied criticism of society. Karl Marx's dictum, "Up to now the philosophers have only been interpreting the world; now it is a question of changing it," bade fair to become a prophecy, though by no means did those of our novelists and dramatists who could pretend to being philosophers advocate the specific social changes advocated by the author of *Das Kapital.* The bourgeois writers themselves were the first to evince a desire for change. Flaubert may have wished to write a "perfect" novel in *Madame Bovary,* and though it is a perfect novel, actually he produced, without an iota of propaganda, an indictment of the social order in which such tedium as he described is possible. Maupassant's *Boule de Suif* is likewise a perfect story, a work of art against which the charge of propaganda would be preposterous, but does it not, for all that, contain seeds ot revolt against a society which can countenance such unfairness and lack of justice? In the Marxian sense, works like these are "interpretations"; admittedly, the social conditions they describe are intolerable. Once this fact is made clear it falls to the artist to attempt to change them.

Socialism was the last thing in the minds of the great "bourgeois" writers, who were anarchic rather than socialistic in tendency. If they were socialistic their socialism sprang from aesthetic or Christian ideas; economic factors, if considered, were always secondary. Instead of a general direction, there was a series of directions, each in conflict with the other. All sorts of panaceas were urged—aesthetic paradises, destruction of machinery, Merrie England, guilds, medievalism, evolutionary socialism and what not.

Yet the rising tide of social revolt was everywhere in evidence, and involved moral as well as economic problems. For more than a generation Tolstoy had been interpreting the Gospels in modern terms and had put the simple Russian peasant and folk art on a pedestal. Simultaneously, Nietzsche projected into the world his idea of the superman. Ibsen tore the mask of convention from mankind, exposing human frailties, hypocrisies and vulnerable sex relations. Then Freud released a whole secret world of "complexes"—the explosive elements in the human subconscious which are capable of creating havoc when the repressive become the expressive—and gave rise to a whole literature of revolutionary character.

All these forces came from the bourgeoisie, and, whatever their differences, they were all united against the bourgeoisie. Concurrently, the famous *Communist Manifesto* of Marx and Engels was working quietly if efficiently in the lower strata, infecting proletarian writers with ideas for the destruction of the bourgeoisie. Could there be safety for the bourgeoisie in a world in which they had enemies within as well as without?

The rise of revolutionary literature has followed the Marxian law—first interpretation, then change. How well is the dictum illustrated in the chronology of Russian literature—first Chekhov, then Gorky. Chekhov was an artist, the most objective, the most perfect interpreter of the Russian bourgeoisie. But Gorky, with his *bossiaks* (barefoot men), his hooligans and his rebels against society, splotched Chekhov's gray world with red. "We'll have none of it!" they said in effect. *"Naplevat!"* "We spit upon it!"—a popular Russian expression. The most astonishing thing—what a reflection it was on the tedium of their world!—the bourgeoisie opened their arms to these literary rebels, devouring the stories about the Konovalovs and Malvas and Chelkashes, and crowding with enthusiasm the performances of *The Lower*

*Depths,* scarcely realizing, as Nemirovitch-Dantchenko, Stanislavsky's co-director in the Moscow Art Theatre, points out in his as yet unpublished memoirs that here were the seeds of their own destruction and that they were applauding their own doom.

Concurrently, the United States, though behind Europe in social consciousness and in the spirit of revolt from which it arose, was producing novelists who were the first in a line which led eventually to Sherwood Anderson, Sinclair Lewis, Theodore Dreiser and John Dos Passos. There were Frank Norris writing his wheat "epics," David Graham Phillips depicting the social strata—Frank Norris called him "the American Balzac"—O. Henry paying his tribute to the submerged "Four Million" (this quantitative factor is very important in the literature of social revolt). There was also Jack London, who, had conditions permitted him, might have been the American Gorky, but who, in any event, was an incipient rebel, and who, it is curious to note, gained greater popularity in Russia than any other American writer with the possible exception of O. Henry.

And, of course, there was—and still is—Upton Sinclair, who was among the first to use fiction as deliberate propaganda. His is the ardor and aspiration of a Tolstoy, but he lacks the Russian's genius; it is an open question how many have been moved to social revolt by his books. In his artistry Sinclair is third-rate, and it may be taken as an axiom that a human being is moved to emulation only in proportion to the artistic power with which a teacher expresses himself. It it not enough to aspire to the rôle of "a novelist of social contrasts," and Sinclair's admission that he became a prohibitionist because his father drank is surely not the sort of thing to entitle him to consideration as a serious thinker. Inhibitions do not help an artist, since they stand in the way of truth and a free expression of truth; distortion of truth can be the only result.

The war provided a lull in the activities of artists grown social-conscious; the spectacle of men, having no real grudge against each other, slaying one another, was appalling; and, after all, one does not talk of how one would build a new house when the old one is on fire. Only solitary voices here and there—"above the battle"—protested against the deliberate devastation and fratricide. Such a voice was that of Romain Rolland, who had previously been calling for "heroes" and "heroic action" as a way out of the social impasse and had already noted that "Europe resembled a huge armed vigil."

To social reformers the defection of international socialism to the patriotic demands of the nations had the appearance of a defeat. Revolutionaries like Lenin and Trotsky, however, saw in the disintegration of war a heaven-sent opportunity to further the revolutionary movement. This fact must be borne in mind, for it presented a situation analogous to that in which all anti-bourgeois literature was ultimately to find itself.

In the domain of economics the doctrine of "dialectic materialism," which the Communist leaders make so much of, does not imply that capitalism shall be literally destroyed, but that its products shall be taken over and converted to the uses of a Communist State. There is power and strength in single-mindedness. The single-mindedness of the Bolshevik leaders killed all parties engaged in social revolt, killed all panaceas proposed by eminent individuals and provided a single panacea, a single tendency, a single direction. Direction was what all former socially dissatisfied elements lacked. Bolshevism did more than this; it killed the individual by associating his interests with those of the mass, and it openly declared its acceptance of the industrial, me-

chanical civilization established by capitalism, merely altering its social aims but not its technical methods. Indeed, from its very inception, Bolshevism has seen in the machine the god and the servant of man. Would it not provide men with bread, and with leisure for other things besides bread? And would not all men, meeting in machine shops and in communal kitchens, become brothers? What could the tragedy of an individual mean to this new brotherhood? "Tragedy based on detached personal passions," asserted Trotsky, "is too flat for our day. Why? Because we live in a period of social passions."

For good or evil, these things were radically to change serious literature in all countries which were agitated by grave social problems. Naturally, an event like the Russian Revolution could not pass without repercussions elsewhere. The precise nature of the shock has been dictated by local conditions. Thus, in Russia, where the revolution is an established fact, creative literature is chiefly concerned with the struggle for "reconstruction"; whereas in America, let us say, the efforts of creative writers, like Dreiser, Michael Gold and Dos Passos, are still centred on interpretation, but already, in line with the theory of "dialectic materialism," projecting the idea of future revolt. It is for reasons like these that Mary Heaton Vorse's novel *Strike* was received with acclaim in Russia; the Soviet ideologists saw in this work the harbinger of revolutionary Spring in America.

Does the same deduction always follow a given premise? To accept such a conclusion would be to ignore the character and temperament of the people in question. To start with, we cannot ignore the essentially communistic nature of the Russian people, which accords least of all with the Anglo-Saxon temperament. The adage, "An Englishman's home is his castle," strikes deep into the roots of the race. It implies not only a respect for personal property but also that the Englishman will defend it against the assaults of the enemy. Respect for property is presumably a bourgeois trait; is, indeed, at the bottom of the whole so-called bourgeois conception of life. Thus an anomaly has been produced, and the Communist ideologist looks askance, not to say with astonishment, at the spectacle of English war novelists—Richard Aldington, author of *Death of a Hero,* is a notable example—virulently attacking the bourgeoisie and yet refraining from joining the Communist party! But half a loaf is better than none, and he cannot conceal his satisfaction at the sheer distintegrating power wielded by bourgeois writers who attack the bourgeoisie.

If literature is the reflection and the criticism of life that it is presumed to be, then a work like Joyce's *Ulysses* has its justification, precisely because it "marks a more advanced stage of psychic disintegration than anything that has come down to us from classical antiquity"—the reason Professor Irving Babbitt gives for condemning it. Is the *Satyricon* of Petronius to be condemned because it gives us an accurate picture of life in the process of decline? Wyndham Lewis's *The Apes of God,* with its scathing satire on the intelligentsia—Higher Bohemia he calls it—presents a not dissimilar picture; instead of attacking it, the only decent thing a fair-minded moralist can say is, "Do not blame the mirror if your face is crooked!" For future generations such a work is invaluable and, like all authentic works of fiction, in that it presents the background of an age, it is a work of importance which no future historian writing of this age will be in a position to ignore.

The literature "which combines excellence of form with soundness of substance" and which includes the "humanistic virtues" of "moderation, common sense and decency"—all of which Professor Babbitt demands of creative literature—is impossible in

our day, and would be an anachronism if it were not; the disintegration which Professor Babbitt sees in modern literature has its source in life.

The "perfect" poet has no alternative but to retire; indeed, one hears that the great German poet, Stefan Georg, whose pre-war lyrics have been compared to white marble, perfectly fashioned, has retired to the solitude of the Swiss mountains. But Ernst Toller, Georg Kaiser, Thomas Mann and Heinrich Mann are in the fray. Thomas Mann is struggling to save the best of the Old World and to find some point of reconciliation with the New. His novel, *The Magic Mountain,* is an immense symbol of the sick world in which he was born, a magnificent world, yet sapping the strength of youth which has still its life to live. Heinrich, Thomas Mann's older brother, has solved his problem more easily in his own way by swinging to the "left" and avoiding compromise. Barbusse has joined the Communist party; so have Bernard Shaw and Romain Rolland. In Spain a whole school of writers has arisen, whose one ostensible object is to attack superstition and social abuses. Unamuno, that valiant fighter, man "of flesh and bones," on being urged to return to the writing of poems and novels, replied: "As if politics were any different from writing poems, and as if writing poetry were not another form of politics!" On the day Anatole France died, the younger writers took the opportunity to issue a manifesto, in which one of them summed up the reason for their revolt in a single phrase, "He is a vase —empty."

In America the publication of *Main Street* was a landmark, because it called the attention of the thousands to the bourgeois tedium of their lives; but the work, in the opinion of Russian critics, is vitiated by its concluding compromise, as is also the more admirable *Babbitt*. The only really revolutionary creative writer in America is John Dos Passos, not because he voices social revolt, not because he has actually joined the Communist party, but mainly because he has hammered out a new style more consistent than any that has gone before with the new social ideas, in the Marxian sense, agitating the age. He has, in the first place, abandoned literary language, which has been so essential a characteristic of bourgeois literature; he has got down to the language of the people, the many, a fundamental necessity of authentic proletarian art, though, oddly enough, he counts his readers among the intelligentsia rather than among the masses. Again, he has wholeheartedly accepted the function of machinery; no art thrives better in Russia today than the cinema; the mechanical art is quite in line with the main doctrines of the Marxist State, which stresses the liberating functions of machinery; hence, the Camera Eye and the Newsreel and the portraits of contemporaries, which at intervals, in his latest novel, break the narrative and provide a running commentary on the age and its social delinquencies.

Here propaganda has arrogated to itself the appearance of art; propaganda has become creative. Professor Babbitt may call Dos Passos's "1919," as he has called *Manhattan Transfer,* "a literary nightmare"; but there can be no question that the author has caught something of the mood of his age, and, instead of abusing him, it behooves his critics, in a spirit of cool investigation, to examine these conditions of life which, instead of producing an Aeschylus, have made a Dos Passos possible. Is life the beautiful Greek dream, a thing of decorum and balance; or is it a nightmare, troubling the bones and the marrow of men? The horror which Dostoievsky saw becomes incarnated in the future, and that future is today.

# Europe's Anti-Soviet Barrier

By ROBERT MACHRAY

[Mr. Machray for many years has been a student of the nations of northeastern and central Europe. Two years ago he published his study entitled *The Little Entente* and more recently has appeared his work, *Poland,* 1914-1931. The present article is based upon observations and study in the Baltic States during the past Summer.]

IN the high politics of the post-war world the boundary line that separates the Soviet Union from the chain of "Border" States stretching from the Baltic to the Black Sea forms a frontier of incalculable importance. These States, from north to south, are Finland, Estonia, Latvia, Poland and Rumania.

The first three are Baltic States, though Finland also has affinities with the Scandinavian group—Sweden, Norway and Denmark. Poland is a Baltic State, too, but the mass of her territory marches with the Soviet frontier for 850 miles until it reaches Rumania, a Black Sea State, which makes the chain of the border States complete. Lithuania is a Baltic State, but not a border State. The Baltic States on the international boundary are small and relatively unimportant politically, but Poland is a great and growing State, while Rumania has a large and rich area. The five countries together have a population of 60,000,000, and the strength of their armed forces is not exaggerated if put at 2,000,000 men. In the view of not a few observers these States were regarded as "barrier" as well as border States. This rôle was assigned particularly to Poland by Lord D'Abernon, who called that country "the barrier to the everlasting peril of an Asiatic invasion." Recent events in the Far East and the pressure generally of Japanese expansion on the Soviet Union have suggested in some quarters, however, that these States are not content with remaining on the defensive and contemplate aggressive action against Soviet Russia on the west while Japan assails it on the east.

A great deal has happened since my last visit when I reached the conclusion that "all the States have made good, having already a record of considerable attainment in political organization and economic development." (See CURRENT HISTORY, March, 1929, page 955.) Apart from the world-wide economic depression, the three things that concerned these States most were the working out of the Soviet Five-Year Plan, the passionate and inflexible movement of Japan toward supremacy in the Far East and the convulsive struggle of Germany to get on her feet again. There were also minor questions—the prospects for a Baltic League, Danzig and the development of Gdynia.

The most surprising change in attitude lies in the fact that the Baltic border States, Finland, Estonia and Latvia, have completely lost their fear of the Soviet Union. It had been a very real fear, and there were sufficient grounds for it. Finland had felt it least perhaps, but even she had quailed at the might of Soviet Russia. To what great power could she have looked for help? The same question had disturbed Estonia and Latvia; for some years fear of the Soviet had almost been an obsession with them. But today they are no longer afraid. To understand their great psychological change one must recall the past relations of these States with Russia.

Finland, Estonia and Latvia, which formed part of the Russian Empire before the World War, proclaimed their independence in 1917-18. Finland was the first, but civil war followed between the Whites and the Reds, and it was only with German aid that the Whites triumphed. Till well into 1920 Finland was in a state of war with Russia, though actual hostilities had ceased. In Estonia and Latvia the Communists were finally driven out in 1919 after heavy fighting. Early in 1920 Estonia concluded a peace treaty with the Soviet Union and a similar course was taken by the other Baltic States later in the same year. Indirectly peace was further consolidated between these States and the Soviet Union by the great Polish victories over the Bolsheviks in August and September of 1920, and the Treaty of Riga in 1921. For a time the Russians were inactive, but it was not long before they began a campaign, largely underground, for the overthrow of the governments of Estonia and Latvia. These activities came into the open on Dec. 1, 1924, when the Communists made a big, but unsuccessful, attempt at Tallinn (Reval) to overthrow the Estonian government and establish a Soviet régime. It was a *putsch* of some magnitude; 200 Communists were executed after it was put down.




Soviet Russia's European Frontier

Shortly after this affair Poland, Finland, Estonia and Latvia held a conference at Helsingfors, Lithuania being an absentee because of Vilna. It was the eighth time these States had conferred, but nothing quite so alarming had occupied their attention before. On this occasion the question of their security was discussed, and they agreed on the importance of acting together in all matters affecting it. Although they signed a treaty of conciliation and arbitration, they did not establish a Baltic League. Meierovitch, the Latvian representative, strongly favored such a union, but Finland's opposition could not be overcome. At that time belief was general on the Continent that the Geneva protocol would be adopted, and it was not till several months later that it was killed by British objections. Next came what may be called the period of non-aggression treaties, arbitration treaties and the Pact of Paris; it may be recalled that at Geneva Poland carried a resolution which anticipated the last-named instrument. It was also the period which saw the inception of the Soviet Five-Year Plan.

In February, 1928, Estonia, while celebrating the tenth year of her independence, issued a statement which contained the following: "Estonia and the other Baltic States have during the last years tried to strengthen their relations with Russia by separate negotiations for non-aggression and arbitration treaties, but so far these have not shown any results, as Russia does not recognize neutral

chairmanship and the obligations of the Baltic States toward the League of Nations." It was not the fault of these States that the negotiations were futile, but of the Soviet Union, as is proved by the fact that the non-aggression treaties concluded by the States and the Soviet Union during the last few months are of such a nature as to be acceptable to the former. In 1928-29 when the Litvinov protocol was brought forward it had extremely important repercussions. The protocol embodied a Russian proposal for the coming into force immediately of the pact for the renunciation of war; it was submitted to Poland and Lithuania. Poland expressed surprise that it had not also been put before Finland, Estonia, Latvia and Rumania, which, unlike Lithuania, had common frontiers with the Soviet. In this matter Poland intimated that she desired to act with the friendly Baltic States and with her ally, Rumania. In other words, the border States were to be reckoned a unity from the Baltic to the Black Sea in negotiations with Russia.

This public intimation, made by M. Zaleski, Polish Foreign Minister, in January, 1929, was perhaps the first with regard to the community of interest that existed among the border States in relation to Soviet Russia. At the Helsingfors conference referred to above the main topic was security. There was already a defensive treaty between Estonia and Latvia which had been signed as far back as 1923. It is reasonable to suppose that this meant cooperation between the general staffs of their armies, and it is equally reasonable to conclude that cooperation of some kind began shortly after the Helsingfors conference between their general staffs and those of Finland and Poland. Poland probably linked up more closely with Rumania, giving added force to their alliance by the treaty of 1926, by which these two States undertook "reciprocally to respect and maintain against all aggression their territorial integrity and present political independence."

"Against all aggression" are the key words. There is, however, no alliance of the border States; no treaty or other agreement, but there is an understanding. In fact, it has existed for some years, though not without occasional interruptions, as when relations between Poland and Latvia became strained early in 1931 over a national minority question. What it amounts to is that the general staffs of Finland, Estonia, Latvia, Poland and Rumania keep in touch with each other and pass on the information any one of them obtains to the others. Thus, no great movement or concentration of Soviet troops takes place anywhere near the frontier from the Baltic to the Black Sea without its being made known as soon as possible to the State or States concerned. The sole object in view is defense. There is no reason to see in it, as is being alleged, any idea of combined aggressive action against the Soviet Union. What they want is nothing more or less than a lasting peace, and this is as true of Poland as of Estonia, of the largest as of the smallest.

Undoubtedly the cooperation of the border States gave them all a certain feeling of security; at least they could not be caught unprepared. But it is not this that has produced the change in the mental attitude of the Baltic States toward the Soviet Union. Nor has it anything to do with their economic position. In the early years after the war the Soviet government worried and intimidated Estonia and Latvia by playing them against each other for its transit traffic. In the old days Reval, Riga and Libau were the terminals of the trunk railways from Petrograd, Moscow and even further south. These ports waxed fat on the Russian trade which they hoped they would continue to enjoy. To that end they granted every facility to the Russians and quoted very low rates on their railways for goods in transit from the frontier to the sea or vice versa. The Russians used this

traffic for political purposes. Latvia negotiated a commercial treaty with Moscow, and expected much from it; incidentally, it gave offense to Estonia and postponed the customs union which had been concluded with that State. Latvia did gain something from the treaty, but it was disappointingly little and was accompanied by directions which were implicit threats. Now even that small trade is disappearing.

As for the Soviet Five-Year Plan, the Baltic States have not been affected by it to any marked degree except by the dumping of lumber, grain and other commodities. A continuance of dumping by the Soviet Union might impart an economic complexion to the understanding, or whatever it may be termed among these States, but so far this has not been the case.

Why is it, then, that the Baltic border States have lost their fear of Soviet Russia? There is no secret about the matter. It is the pressure of Japan in the Far East that has produced and maintains this remarkable change. The new attitude became noticeable soon after Japan intervened in Manchuria and commenced the operations that ended in the creation of the State of Manchukuo. What counter-action would the Soviet Government take? China had been compelled to give way in regard to the Chinese Eastern Railway two years before when Soviet action had been prompt and decisive. China, of course, was a weak State and Japan was a first-class power with a highly trained army and navy backed by a martial people. But Soviet Russia was also a first-class power.

Yet when it came to the point Russia did little or nothing against Japan, and the Baltic border States concluded that the Russians were afraid of Japan. In the field they took no steps that would hinder the Japanese advance to the Siberian frontier. There were inflammatory articles in the Soviet press and Soviet diplomacy was certainly active wherever it could gain an entrance. Furthermore, Russia was supported in large measure by the League of Nations, and could probably count on America almost to the limit. Russia seemed to be in an exceedingly strong position. But Japan, undismayed, went on with her program, while the Baltic border States, watching from the other side, were immensely impressed. Their own fear of Soviet Russia lessened and finally disappeared. In the present critical situation in the Far East Japan is not unmindful of these Baltic border States. Representatives of her general staff have visited Finland, and the Japanese Foreign Office sends direct from Tokyo across the world to the leading Helsingfors paper long prepaid cablegrams giving in full official declarations of policy, such as those of Count Uchida, the Japanese Foreign Minister, and of accounts of the course of events from the Japanese standpoint.

Speaking generally, there is in the Baltic and other border States a strong feeling of sympathy with Japan, the basis of which, however, is not any particular love for that country, but a very distinct and readily intelligible satisfaction with her opposition to the Soviet Union and with the strengthening of their own place in the world that is implicit in that opposition. They believe that, with Japan on their hands, the Russians will have quite enough to do.

Some observers have seen in the new non-aggression treaties between the Soviet Union and most of the border States, such as that ratified by Finland on July 7 and that signed by Poland on July 25, a reinforcement of the whole political situation of the Soviet Union. This is not the view of these States. While they are desirous of keeping the peace and are willing to conclude non-aggression pacts with the whole world, they look on these particular treaties as another confession of weakness on the part of the Russians. In any case, they are not

inclined to attach too great a value to any treaties whatsoever made by the Soviet government, for their past experience shows that it keeps them neither in spirit nor in letter. It may seem beyond belief, but it is a fact that the Soviet Union has never fully implemented any of the peace treaties it signed in 1920-21. The main reason why Poland found difficulty in signing a non-aggression treaty with her was the chronic bad faith of the Russians and not the Bessarabian question, as has sometimes been stated. To any one who knew the actual situation it was incredible that Pilsudski would consent to throw over Rumania. And when the pact signed on July 25 at Moscow was published it was obvious that the second and fourth articles, though they contained no mention of Rumania, implicitly maintained the Polish-Rumanian alliance. M. Zaleski stated that the pact made for the validity of all Poland's international engagements and could only reinforce the alliance, since the sole object of the pact was to render normal the relations between Poland and Soviet Russia. Normal relations with the Soviet Union are in fact the aim of all the border States.

With the remarkable change in the psychological attitude of Finland, Estonia and Latvia toward the Soviet Union, the project of a Baltic League, which was based on common defense against Soviet aggression, loses some of its appeal. There is no agitation for such a league. Finland continues to consider herself as "Scandinavian" rather than "Baltic," though her geographical position and historical associations suggest she is both, and therefore a natural bridge between the two groups of States. She has intimated, however, that she is not and cannot be indifferent to the political fate of Estonia and Latvia. In the economic domain a further step toward unity is evident in the partial carrying out of the treaty for a customs union between Estonia and Latvia, in the increasing number of commodities free of duty and in the abolition of visas between them, as well as between them and Lithuania. These developments tend to strengthen the idea of a Baltic League on the political side, but its creation appears rather remote.

Germany is the second great preoccupation in the whole region of the Baltic. In addition to the long stretch of Baltic coast—from Kiel to Memel—Germany in the old days had a close connection with Estonia and Latvia in the "Baltic Barons" and other Balts, who, though Russian subjects, were German in origin and sympathies. These States expropriated their barons and parceled their estates among the peasants, but they granted some compensation in land and in State interest-bearing bonds to the dispossessed, most of whom retired to Germany. Dissatisfied with this treatment, they continue to make their voices heard. These and other Baltic States still have strong trade connections with Germany. This means that Germany has abundant opportunities for propaganda, of which, one may be sure, she takes full advantage.

The aggressive attitude of the present rulers of Germany causes much uneasiness all along the Baltic, and the second chief impression given me by my tour was that Germany is an undoubted cause of unrest in that region. Memel is perhaps not very important; no one thinks of it as a "danger spot." But Danzig is important. At the end of July the situation there was certainly tense, but during August the strain relaxed, thanks to the good work of a League representative who settled two serious disputes between the Poles and the government of the Free City. Meanwhile, Gdynia grows at Danzig's expense.

# The Menace to National Health

*By* JAMES A. TOBEY

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WHEN Dr. Ray Lyman Wilbur, Secretary of the Interior, blandly asserted before the National Conference of Social Work last June that our children are more likely to profit than to suffer from the depression, he provoked a storm of protest. The assembled social workers, most of whom had been somewhat more closely in touch with local conditions, promptly and vociferously took issue with Dr. Wilbur's view that the care stimulated by adversity is more productive of physical benefits to childhood than is the neglect due to prosperity. Homer Folks, for example, retorted that the children of today had already been the recipients of a "perfectly terrific wallop," such as no children in this country have had for very many years. Other leaders in social welfare work adduced facts to refute the story advanced by Dr. Wilbur, who retaliated by telling newspaper men that his critics were "sputterers."

This episode focused attention on an important current issue, which it happens has already been the subject of investigation, for, in order to ascertain as far as possible the effect of depression upon national health and social welfare, the National Social Work Council recently appointed several committees to collect pertinent data. Material on public health has been assembled by securing from various national voluntary health agencies statements based on their own experience. From the report certain more or less indisputable facts stand out after the elimination of the inevitable mass of conjecture and after discounting the smug belief of some of the organizations that the salvation of humanity depends upon an increase in the scope of their own invaluable operations.

In brief, the report shows that the depression has not yet affected the people's health, that the effects of the financial dislocation on national vitality will undoubtedly be felt in the near future, and that there is already definite evidence of an unfortunate general curtailment of necessary health services.

Measured by such factors as disease and death rates, the year 1931 was one of the most healthy in our history. Not only were there no serious epidemics but many diseases were less prevalent and mortality rates were lower. Tuberculosis, for example, dropped from 71 to about 67 deaths per 100,000 population, and infant mortality continued to decline in a reasonably satisfactory manner. Such an apparently favorable situation should not, however, be permitted to give rise to a false sense of security. Every student of public health realizes what the public does not—that social and economic factors no less than medical and sanitary achievements affect the state of the nation's health. Every progressive sanitarian also realizes that changes in national vitality and vigor are not felt immediately, but that the effects are cumulative and become manifest only after the lapse of several years.

That malnutrition is prevalent in

the United States cannot be disputed. Even before the present adverse economic conditions, undernourishment, particularly among children, existed on a large scale. Several years ago reliable authorities estimated that at least 30 per cent of all school children suffered from malnutrition. Most of this was probably due to ignorance rather than poverty, but today much of it can be attributed to economic conditions. Although a campaign to educate families with limited budgets to eat properly, and at the same time economically, has been conducted by official and extragovernmental health agencies, this message has not reached every one, nor has it aided those who are unable to buy even the most inexpensive foods. Hundreds of thousands of pamphlets urging the use of such economical foods as bread and milk, supplemented by cheap vegetables and fruits, as basic diets for the maintenance of health have been distributed by the American Child Health Association, the United States Children's Bureau, the Bureau of Home Economics of the United States Department of Agriculture and other responsible agencies.

The persistent malnutrition of a considerable number of the people does not appear in the sickness and death rates of today, but it may in those of tomorrow. Continuous undernourishment is conducive to tuberculosis and other diseases and it prepares the body for the onslaught of many others equally serious. There are, in general, two factors in disease —the invasion by germs or other inciting agents and the individual's powers of resistance. When resistance is lowered, the germs have little opposition.

Add to malnutrition such factors as overcrowded homes and less effective personal and community hygiene, and the stage is set for a spread of tuberculosis. Owing to the fight that has been carried on to control this scourge or because of lingering biological factors, tuberculosis has not yet increased. Every new case arises as the result of contact with an old case, especially in the same family, and opportunities for such contact by persons more susceptible to tuberculosis than formerly are much more likely now than in previous years. Immediate results from these contacts are not observed, because tuberculosis is a disease of slow development; years may elapse before a childhood infection appears in a young adult. The disease is, moreover, unevenly distributed in the population, taking its chief toll among industrial workers. In this group the tuberculosis death rate ranks third, although it is seventh in the general population, being preceded by heart disease, cancer, pneumonia, nephritis and other diseases.

No statistics are available to indicate that these leading causes of death have been augmented as a result of the depression. Cancer, which is neither hereditary nor contagious, occurs in susceptible persons exposed to exciting physical causes such as chronic irritation. If malignant conditions are diagnosed promptly and treated without delay, the disease can be cured without difficulty. In times of depression, however, many persons are prone to delay, with consequent effect on the mortality rate.

Although the causes of disease are physical and not mental, the psychological hazards of depression periods cannot be discounted. Anxiety, fear, discouragement and other effects of economic strain can and do lead to mental troubles which may adversely influence the health and well-being of individuals. Mental hygienists report that already there is real evidence of an increase in the milder forms of mental disorder which may become serious later, for mental diseases are slow in developing. Our prevailing economic conditions, with the vast amount of unemployment and the enormous reduction of incomes, cause

maladjustments and unhealthy mental reactions, with accompanying destruction of family life and social disharmony and conflict. The temporary is likely to become the permanent.

No great rise in the admissions to mental hospitals has so far been recorded, although institutions for the feeble-minded have noted an increase of those needing their care. This may be due in part to parents and guardians having to unburden themselves of the care of mental defectives and place the duty on the public authorities. Paroles have become fewer in mental hospitals, obviously because of unemployment.

The Welfare Council of New York City early in 1932 issued a statement on the psychological effects of the depression, compiled from the reports of some 900 social workers and nurses. "The adverse consequences," said the report, "make a long and sinister catalogue." In this baleful catalogue occur with distressing repetition terms like "desperation," "bewilderment," "obsession," "cynicism," "restlessness," "fear." Many previously well-balanced and respectable family men seem to have been driven by the strain, worry and despondency of their present positions to seek surcease in the speakeasy and the brothel.

Contrary to expectations, the venereal diseases do not seem to have increased to any alarming extent, but the facilities for dealing with them are overwhelmed. The free clinics for these diseases, which were always overcrowded, are now swamped, and patients who go to them often find that they have to wait so long that they quit in disgust, and either receive no treatment at all or else go to drug stores for patent remedies which are invariably worse than useless.

Medical services of all kinds are overburdened to a far greater extent than ever. Because of liberal policies in admitting indigent patients, hospitals have always operated at a loss, but now deficits are mounting at an alarming rate. In the last two years every hospital has ministered to more free patients and fewer paying ones, with consequent detriment to the services rendered, especially since the medical, nursing and social service personnel has not increased in number and probably not in quality.

From 1929 to 1931 a decrease of 15 per cent in receipts from patients who pay was reported to the American Hospital Association by ninety-one hospitals in eighty-seven cities. Some municipal hospitals have had to provide for an increase of 30 per cent in the number of patients cared for, in most instances without charge. According to a survey made among 150 visiting nursing societies by the National Organization for Public Health Nursing, the amount of service rendered by public health nurses to the sick poor has risen by at least 25 per cent and in some communities as much as 70 per cent.

This growing need for medical and nursing relief during the depression has been paralleled by the plight of public health services. An investigation of 200 municipalities conducted by the American Public Health Association showed that in about one-half of them drastic reductions had been made in health department budgets, the cuts ranging from 1 to 43 per cent, the average being about 7 per cent. In one large city the financial situation was so bad that 100 of the Health Department's employes had to be dismissed, thus augmenting the ranks of the unemployed as well as reducing the effectiveness of health activities for those already out of work.

Such economy is false economy. A reduction of expenditures for preventive medicine invariably results in heavier costs for cure and relief. Appropriations for public health activities in this country have always been inadequate. "Hardly any one would

argue," declared a recent editorial in *The Journal of the American Medical Association*, the organ of a group that has never been enthusiastic for preventive medicine activities, "that either the nation or a State has ever been unduly extravagant in expenditures for governmental hygiene. In fact, the most effective agencies in this field are even now scarcely well developed." The present official expenditures for public health in the United States are less than 74 cents per capita, although experts have estimated that not less than $2.50 per capita a year is necessary for a well-rounded health program. In the thirty-six cities rated highest in the health conservation contest sponsored annually by the United States Chamber of Commerce the average per capita expenditure for health administration and voluntary health work amounted to $1.57 in 1931, whereas cities having the lowest scores spent on the average only 83 cents per capita.

Withdrawal of public support from voluntary health agencies is, on the whole, as unwise as is reduction in official expenditures. Although some national health organizations are occasionally a trifle blatant and sometimes overenthusiastic, their activities have been and are generally beneficial. In popular health instruction, for example, the National Tuberculosis Association, the National Committee for Mental Hygiene, the American Social Hygiene Association, the National Society for the Prevention of Blindness, the American Child Health Association and the American Heart Association have rendered conspicuous service; and in organizing public support, making demonstrations and supplementing the work of health authorities, they have a definite rôle and deserve assistance.

Adverse economic conditions of national scope may be said, therefore, to affect the people's health in two ways—by the direct influence on individuals of malnutrition, poor housing, improper clothing, lack of proper recreation and unfavorable mental and emotional attitudes, and by the curtailment of the budgets of agencies for the prevention of disease, the protection of public health and the furnishing of medical, nursing, hospital and social relief. All the baneful consequences are not yet patent, but if the causes are not removed, the results will be seen in higher sickness and death rates and in a serious impairment of national vitality, while recovery, whenever it begins, will be slow and painful. These conclusions may seem pessimistic, but they should be regarded as a warning not to jeopardize the health of the nation.

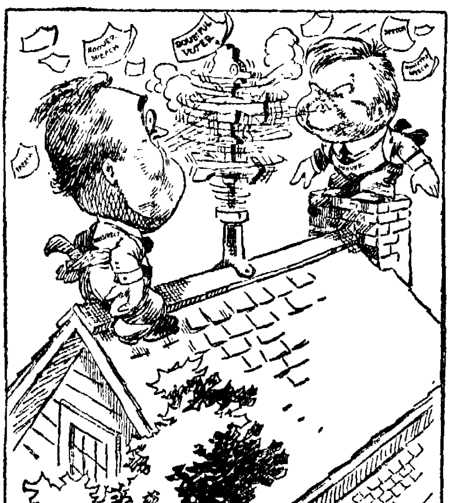
# Current History in Cartoons




The scavengers
*—Springfield Republican.*




That pot of gold
*—Rocky Mountain News*



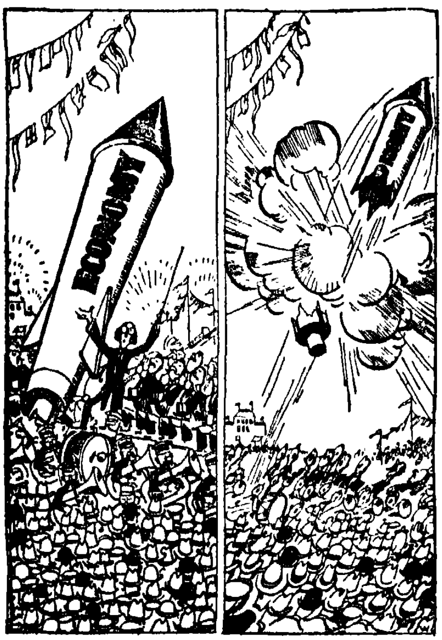

Who blew the hardest?
*—St. Louis Globe-Democrat*




He jus' growed up—fast
*—Baltimore Sun*



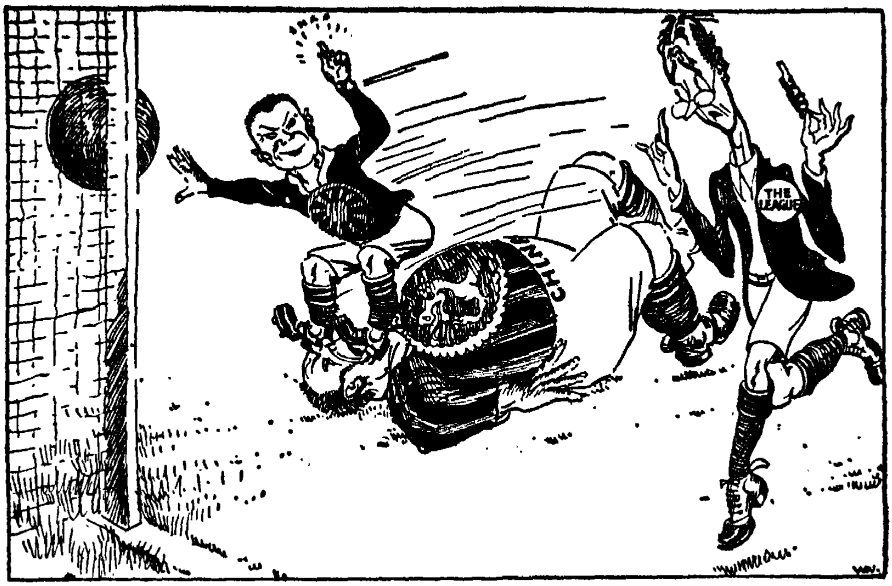

"But, my friends, we are offering you 4 per cent when we might have offered you nothing at all"
—*Humanite*, Paris




A dud
—*Glasgow Bulletin*



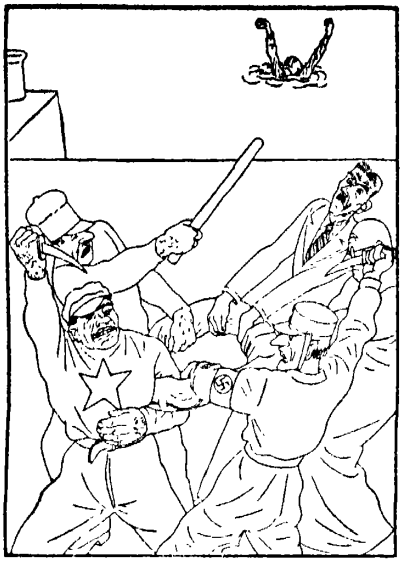
The Victims—"Disarm!"
Sir John Simon—"An untimely request. You must have some consideration for the feelings of sixty-four heavily armed nations"
—*Kladderadatsch*, Berlin




The Referee—"I rather think that's a foul, you know"
Japan—"Maybe, but he kicked me first" —*Glasgow Bulletin*

"All right, if you von't ask me to have some drinkings mit you, I von't come to your demperance meeting!"
—*London Daily Herald*

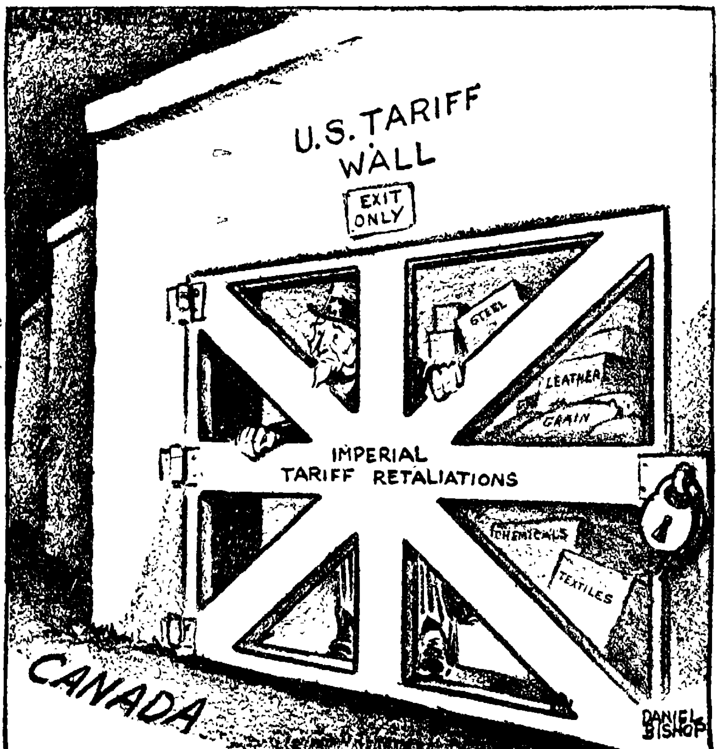




Mother Germany drowns while her sons argue over who shall throw the life-belt —*Simplicissimus*, Munich




France—"Come over here! I'm afraid of that shadow."
Italy—"How can I get over the ditch?"
—*Il 420*, Florence




On the outside looking in
—*St. Louis Star*

# A Month's World History

## The New French Arms Proposal

*By* JAMES THAYER GEROULD
*Princeton University; Current History Associate*

IT is one of the striking facts of history that, again and again, it has required a violent challenge to authority, sometimes involving riot and bloodshed, to arouse governments to the necessity of correcting intolerable injustices. When the explosion comes, there are at first the resentment of disturbed complacency and stern repression; but then follow examination and some measure of relief. Possibly the violent gesture of Germany, in withdrawing from the Disarmament Conference in protest because her demand for equality in armaments was ignored, may have this effect. Certainly it has focused attention on the fact that it is impossible continually, by any treaty, to hold a great and powerful nation in a condition of inferiority before the law.

All the powers which joined in the making of the Treaty of Versailles now admit the truth of this principle. Even in France, where traditional fear of Germany naturally causes the government to cling to every advantage of position, it is, except by the more Bourbon minds, no longer questioned. This admission does not carry with it, however, any weakening of her position that the treaty is and must remain the legal foundation on which rests the peace of Europe. Other treaties may be written which will modify its conditions; but until they are ratified, the old obligations remain.

The German challenge had another effect. However much the cynical may sneer, the nations want disarmament, if for no better reason than to relieve, in some measure, overburdened budgets. That, however, is not the only reason. Outside army and navy circles —and even there one can easily find many who do not take the professional view—there are few who believe that peace can be bought from the munitions makers. If the World War taught any lesson it was that, as armaments pile up, it becomes necessary to use them. Responsible statesmen know this, and moreover, they are perfectly aware that the public, on which they rely for place, knows it too. That public is demanding positive results of the Disarmament Conference.

The resolution of July 23, which summed up the results thus far attained, was felt to be disheartening. The French, British and American programs had little in common, and there seemed to be a stalemate. The German demands followed. The other powers realized that, without German assent, no general treaty was possible, and that Germany had it in her power eventually to make good her threat to rearm. Fortunately, at the head of the French Government was a man who did not lose his head. To have yielded immediately, or to have assented directly to the terms proposed by Germany, would have been political suicide, but to ignore them was impossible. However widely the

governments of the former allies differed in other things, they were a unit in their determination that Germany should not be permitted to rearm. Germany, indeed, had not demanded that right. She insisted that the other powers should fulfill their moral obligation to reduce their armaments to a level approximating that imposed on her by the treaty. The issue could not be escaped.

The month of October was a busy one for the Foreign Offices in Paris and London. There were many consultations, many schemes proposed, and some rejected. Early in the month the British Government tried to arrange a conference of representatives of France, Germany, Italy and Great Britain, with observers, it was hoped, from the United States. In such a conference France felt that she would be at a disadvantage, but she could not refuse the invitation. Instead of doing so, she insisted that the place of meeting should be Geneva. Mr. MacDonald wished to have it in London, but finally he yielded to the French. This move compelled Germany to withdraw her tentative acceptance, since in the circumstances a visit to Geneva would have seemed to imply that she had receded from her position that she would not return to the Disarmament Conference until her demand for equality had been granted. She hinted, nevertheless, that she would be willing to attend a conference at almost any other neutral capital. The statement of the French Foreign Office that this refusal was "an affront to the League" may have been good local politics, but otherwise it was an unsatisfactory summary of the situation.

The failure of this scheme did not prevent an almost continuous series of conferences in Paris and London between representatives of the French, British and American Governments. M. Herriot was in London on Oct. 13 and 14, in an attempt to secure further guarantees of French security; but, so far as it is known, the British Government persists in its determination not to enlarge the obligations assumed at Locarno. Norman H. Davis, representing the American Government, seemed to have had better success. He remained in London for nearly three weeks in an endeavor to gain British support for the Hoover proposals. It is reported that, as a result of his conversations with British officials, they will show a greater sympathy for the plan when the conference reassembles. Both Mr. MacDonald and Sir John Simon found it necessary to defend themselves publicly against charges that they had been hostile to the Hoover plan.

In Paris the French Government was busily engaged in elaborating an entirely new program for disarmament as a substitute for that presented by Tardieu on Feb. 5. Although the plan was presented to the Chamber of Deputies only on Oct. 28, it had been announced on Oct. 9 when M. Herriot spoke in Alsace at the opening of a huge power station on the Rhine. The new plan represents the combined work of French experts who for a decade have been devoting their time to the study of disarmament. The National Defense Council, of which Marshal Pétain, General Gamelin and General Weygand are members, also discussed it and, if one is to believe certain reports, made certain reservations. Eduard Benes of Czechoslovakia and Nicholas Politis of Greece were likewise consulted in its formulation. The Chamber of Deputies readily accepted the plan by a vote of 430 to 20. On Nov. 4 the full text of the proposals had not yet been made public.

In no sense does the French plan depart from the familiar formula of "security, arbitration, disarmament" which has governed French action from the beginning of the discussion, but the method by which it is proposed to reach these ends is quite different. Germany's desire to free herself from the heavy expense of supporting a professional army is met

by a proposal for the complete abolition, within the European continental area, though not in the colonies—of all formations of the Reichswehr type. Instead there would be a conscript militia or police force, presumably of the type of the present French Army, but with a shorter term of service. It is understood that the British and American professional armies are not to be disturbed. The theory of the integrity of the Versailles Treaty is to be preserved by providing that Part V is to be suspended during the life of the new treaty, and may be revived if, at the end of that period, there is no agreement as to a satisfactory substitute. Actually Part V is consigned to the same limbo where now repose the reparations provisions of the treaty. That there shall be no doubt as to the good faith of the nations in recruiting and administering their militia, there is to be established an international body of control which shall be given the right of investigation.

The meaning of the third section, which is by way of being a substitute for the Tardieu scheme of an international army, is not very clear. The text of M. Herriot's statement is as follows: "To complete the Locarno pact, pacts of mutual regional assistance shall be concluded in such fashion that every European nation may take part and that the collective force thus provided shall be sufficient successfully to oppose aggression; this force should include progressively staggered national specialized contingents, immediately available and having powerful war material at their disposal." No doubt the government will, at a proper time, elaborate this sentence into a statement specific in detail. Until this is done we cannot tell whether it has met the arguments urged against the Tardieu scheme, nowhere more forcefully than in Léon Blum's book, *Peace and Disarmament.*

The fourth paragraph refers specifically to the United States: "The United States should grant guarantees of security that she herself has envisaged." This means, of course, a consultative pact. While the American Government has thus far refused to enter into any such specific agreement and only recently has acknowledged that consultation is implicit in the Pact of Paris, the further step which, by inference, was approved in the Republican platform and specifically mentioned in the Democratic, should not be difficult to take. More embarrassing will be the condition "that arbitration shall be obligatory for all States adhering to the pact." While all the European States, except Czechoslovakia and Poland, and eleven non-European States have signed the optional clause of the World Court statute providing for compulsory jurisdiction, the United States is not yet a member of that body. Until recent years America was one of the leaders in promoting international arbitration, but since the war she has shown marked hesitation in enlarging her commitments. The American Senate, always jealous of its prerogatives, may be expected to hesitate before divesting itself of the power to determine the occasion and the limits of arbitration.

The United States is not directly concerned with the provision that a reaffirmation of Article XVI of the covenant is to be asked of all the members of the League. It will be difficult for any of them to refuse this, but the British Government may feel that by doing so it will thereby void some of the interpretive reservations by which it has attempted to limit its Continental responsibilities. The obvious intent of France is that there shall be no doubt as to common action against covenant-breaking States.

It will be noticed that neither air forces nor navies are specifically mentioned in the French program, and nothing is said of the weapons which it is generally desired to abolish. The complete plan, when published, may deal with them; or it may have been decided to consider them as of sec-

ondary importance, to be discussed and dealt with after the fundamental principles are established. The document throughout relates only to fundamentals; and it bears evidence in every line of the French logical habit of mind. It is a development of the Pact of Paris, of the covenant and of the Locarno treaties. It gives Germany the equality she seeks and at the same time avoids the danger of her rearming and of the formal abrogation of the Treaty of Versailles. Except that French influence is likely to be predominant in the direction of any international army that may be assembled and that the phrase "pacts of mutual regional assistance" needs further interpretation, it would seem that otherwise the plan implies a weakening of French hegemony over Europe. This aspect of it is bitterly resented by the French General Staff and by the papers of the extreme Right. Germany cautiously awaits further details, but finds little to criticize in those that thus far have been published. There is good reason to hope that she will consider it a bridge which will enable her to return to Geneva. British comment is generally favorable, as is that of the American press.

There is in the plan no unnecessary antagonism to that proposed by President Hoover. It is perfectly possible to add to the French proposal quantitative and qualitative features taken from the American and British suggestions. When it comes up for discussion the plan will doubtless be clarified and extended.

### *THE LEAGUE ASSEMBLY*

The session of the Thirteenth Assembly of the League, which closed on Oct. 17, was singularly barren of positive results. The issues that were before it are of tremendous importance; but for one reason or another on not a single one of them was the time ripe for positive action. An effort was to be made to deal with them at the special session scheduled for Nov. 21. Subject to confirmation, Joseph Avenel of France was elected Secretary General, in place of Sir Eric Drummond, who retires next June. M. Avenel is thoroughly familiar with the League's affairs. He has served as the head of the Economic and Financial Section, as Deputy Secretary General and as the representative of the League at a number of international conferences. His place is to be taken by an Italian, and the newly created position of Second Deputy Secretary General will probably be filled by the election of a Norwegian, and the three Under-Secretaryships by nationals of Great Britain, Germany and Japan. There was some grumbling over the budget, but it was finally passed at $6,500,000, a sum smaller than that spent by hundreds of cities on both sides of the ocean. It is microscopic, almost, as compared with the $5,000,000,000 which the world spent last year on armaments. Small as the sum is, however, a number of the nations are in arrears with their payments, and the League is in serious financial difficulties.

Poland, Mexico and Czechoslovakia at the Assembly meeting were elected to non-permanent seats.

### *THE GOLD STANDARD*

At a meeting in Geneva on Nov. 2 of the committee which is preparing the financial side of the coming world economic and monetary conference, Leon Fraser, the American who is vice president of the Bank for International Settlements, urged the restoration of the gold exchange standard as the best way to get back to gold. Professor John H. Williams of Harvard, one of the American members of the committee, indicated that the choice to be made would have to be between return to the gold standard and the gold exchange standard. The whole question has been under discussion by the committee, but its final recommendations have yet to be made public.

# How Real Is American Recovery?

*By* E. FRANCIS BROWN

PUBLIC attention in the United States during October was focused on the Presidential campaign. Political oratory upset radio programs, political news crowded almost everything else from the nation's press and political discussion turned men's thoughts from social and business developments in the country. The Republicans in their campaign speeches constantly maintained that through the efforts of the Hoover administration American economic recovery had begun, but, as John W. Davis, former Ambassador to Great Britain, said on Oct. 30, "an uncomfortable doubt persists" in many minds that the battle against the depression has not been won. If men divested themselves entirely of partisanship and looked the economic condition of the nation in the face, what did they discover in this recent period?

One portion of the account is made up of optimistic reports and surveys from business leaders and public officials. On Oct. 12 the Secretary of Commerce stated that "some degree of improvement in business has been felt throughout various sections of the country, and has been noticeable in the smaller cities as well as in the larger industrial centres." His opinion was based on reports from nearly 200 trade associations and chambers of commerce. A similar conclusion had been reached two days earlier as the result of a questionnaire sent to more than 100 executives of representative industries by a New York banking house. Finally, at the end of October, Henry M. Robinson, chairman of the Central Banking and Industrial Committee set up at the President's conference of business and industrial leaders last August, pointed to the work of rehabilitation now in progress. He declared that assistance to distressed mortgagees, the obtaining of new capital for small businesses, the extension of capital expenditures by large industries and the "share-the-work" movement had greatly furthered recovery.

The real bases for such optimism were not so convincing. There were undoubtedly some indications of a slight upturn. *The New York Times* index of business activity rose somewhat during September and early October, reaching 56 for the week ended Oct. 15—the highest figure since the week ended May 14—but a week later the index fell to 55.4 as the result of declines in the indices for freight-car loadings, steel-mill activity, electric-power and automobile production. Even the output of cotton cloth, which has bolstered the hope of general recovery, was subject to some fluctuation. Carloadings rose steadily early in the Autumn, but fell off in the last weeks of October. The improvement in foreign trade during September was more than seasonal. Exports totaled $132,000,000 and imports $98,000,000—an increase of $30,000,000 over the combined amount for August, but the lowest September total since 1914. Commodity prices in October were unable to maintain the level reached in September and fell steadily, reaching the index figure of 88.5 on Nov. 1, compared with the high figure of 96.3 on Sept. 6. Meanwhile the stock market was in the doldrums; prices changed little and the volume of sales was small.

The same conflicting story is found

if specific industries are considered. On Oct. 30 a report of the Federal Oil Conservation Board indicated that the oil industry had emerged from the depression. The present price of crude oil permits a profit to producers, while the industry has been able to maintain 90 per cent of the sales figure reached in 1929. If the report states the position of the oil industry fairly, we have here an important turn for the better, since oil is the fifth largest business in the United States.

The production of steel—another basic industry—has remained low. In September output was 17.34 per cent of capacity, compared with 14.26 per cent for August; in October the figure rose slightly, averaging about 19 per cent for the month. Although the United States Steel Corporation showed a total deficit after providing dividends of $27,176,628 for the third quarter of 1932—the largest for any three-month period in the corporation's history—the company paid its regular quarterly dividend on preferred stock. In an attempt to stimulate large-scale buying of steel rails the industry on Oct. 20 announced price reductions, but there seemed to be little possibility that the railroads would be in the market for rails this year.

The position of the railroads continues to be critical. In September thirty-four of them reported net operating incomes of about $22,340,000, compared with $24,734,000 the year before. This total, however, was an increase of more than $10,000,000 over the net operating income for August. Many roads have showed an improvement over September, 1931, but their true situation will not be clear until after crop movements have ended. Meanwhile the proposed wage reduction of 10 per cent for railway labor was pending and the Coolidge committee was beginning its study of the American transportation system.

In many respects the financial situation of the country reflects the contradictions in other fields of business endeavor. The foreign raid on the dollar at the beginning of October came to little, and observers both in the United States and abroad stated their conviction that there was no need to fear for American financial stability. Moreover, during the month the monetary gold stocks of the country continued to rise; on Oct. 26 the total stood at $4,230,000,000, compared with $4,164,000,000 on Sept. 24. Hoarding apparently was decreasing, since the amount of money in circulation—at a time of year when the currency usually expands—was about $5,574,000,000, compared with $5,632,000,000 for the week ended Sept. 24. A year ago the total was $5,458,000,000. Bank failures have become negligible—that is, from an American point of view. All these facts are encouraging, but sooner or later American finance as well as American business may be adversely affected by Federal finances. In the words of the editor of a leading financial weekly, "the Federal budget is in a shocking state." At the end of October the Treasury reported a deficit of $629,889,093; while the returns from taxes have been disappointingly low, discrediting "practically every forecast made by the Treasury." When Congress assembles in December one of its pressing problems will be to shore up the Federal credit.

Finally, in any survey one must consider the plight of agriculture. The great staple growing regions of the country have watched the price of their products sink lower and lower. At the end of October, December wheat was quoted on the Chicago Exchange at 43⅞ cents a bushel, the lowest in eighty years, but it went still lower on following days. Other grains reflected the low price for wheat. Nor did cotton fare much better. At the end of October cotton was quoted in New York at 6.06 cents a pound; traditionally the cotton farmer must receive 10 cents a pound if he is to clear the expense of raising

**his crop. Meanwhile, from the farming areas of the country came the dreary, disheartening stories of mortgage foreclosures and lost farms.** Surely agriculture presents a uniformly discouraging picture, and yet here may be the clue to the entire problem of recovery.

Throughout the weeks of the Presidential campaign the country heard much of the measures taken to save the nation from disaster and to rehabilitate its economic structure. While the Republicans maintained that the various devices adopted were functioning admirably, examination of these claims showed cause for some reservations.

Of the magnitude of the operations of the Reconstruction Finance Corporation there can be no doubt. In the first eight months of its existence—from Feb. 2 to Sept. 30—the corporation lent more than $1,500,000,000 to railways, financial institutions, agriculture, emergency relief and construction. These loans were made to 6,002 borrowers in every State of the Union, Hawaii and the District of Columbia. Of the 4,973 banks and trust companies which received loans, 70 per cent were in towns of less than 5,000 population. During the third quarter of the year the R. F. C. made loans as follows:

| | |
|---|---|
| Banks and trust companies... | $215,083,392 |
| Building and loan associations | 35,153,815 |
| Insurance companies ......... | 11,727,700 |
| Mortgage loan companies..... | 10,246,000 |
| Federal Land Banks.......... | 29,000,000 |
| Joint stock land banks........ | 781,000 |
| Agricultural credit corporat'ns | 1,740,935 |
| Live stock credit corporations | 5,371,396 |
| Railroads .................. | 50,484,209 |

Between July 21 and Sept. 30 the R. F. C. distributed $140,060,171 for agricultural and unemployment relief—$35,455,171 for relief and work, $53,105,000 for self-liquidating projects and $51,500,000 to finance the carrying and marketing of agricultural commodities and live stock. Up to Oct. 15 the R. F. C. advanced more than $43,000,000 to States and Territories for relief; about half of this **amount went to Illinois, Pennsylvania and Ohio. In September the number of requests for aid from the R. F. C. showed a definite falling off and was** interpreted in some quarters as a hopeful indication of business conditions. Moreover, many financial institutions had not yet availed themselves of loans authorized some time ago.

As has been said frequently, it is difficult to see exactly in what direction the R. F. C. is taking us. It has staved off many failures and receiverships, has probably kept the nation from a worse plight than that through which it has gone, but what if it is long before business picks up? The Federal Treasury cannot support the national economic life forever. Furthermore, what if the private institutions which have been aided are unable to repay? Will that mean State socialism or only heavier burdens on the taxpayers? Conceivably one may in the future look back upon the R. F. C., the situation which brought it into being and the work which it has done and pronounce the remedy to have been worse than the disease.

Perhaps no better criticism of this aspect of governmental attempts to bring about recovery is to be found than that of the editor of *The Annalist* who said recently: "We probably have to admit that the great obstacle in the way of better business is in our dependence upon stopgap measures which do not go to the bottom of the trouble. In particular, we have tried through government agencies to remedy a frozen condition by the addition of a large volume of new debts at a time when ability to pay the old ones was pretty steadily decreasing. The inevitable reckoning with the results of such a policy may well be disturbing and not very far distant."

Another of the reconstruction measures is that for establishing home loan banks to aid building and loan associations—"to liquefy millions of dollars of frozen home mortgages and bring relief to the harassed home owner." The twelve Federal Home

Loan Banks which were established by Congress in the closing hours of its session were finally opened on Oct. 15. But the results were disappointing. Building and loan associations were apparently reluctant to subscribe to the stock of the Federal system, and when the regional banks were opened private subscription had not reached the legal minimum of $9,000,000 established by Congress. Moreover, the home loan banks were forced to admit on Nov. 1 that it would be some time before many loans could be made as direct aid to home owners.

Finally it is worth pointing out that the attempt to raise prices by forcing money into circulation through the various credit devices of the Federal Reserve System and other measures for pumping credit into American economic life has failed. As Professor John H. Williams of Harvard at Geneva told the committee of experts discussing the monetary phase of the prospective world economic conference, this failure seemed to indicate that only international action could solve the question of prices.

Throughout the depression unemployment has been appallingly high; if recovery has begun it should be reflected in the figures for those out of work. Here again the picture is not clear. In August, according to the monthly survey of the American Federation of Labor, unemployment reached 11,460,000—an increase of about 100,000 over July. September, however, showed improvement, the total dropping to 10,900,000. While this report from the A. F. of L was widely circulated and was borne out by later reports from the Bureau of Labor Statistics, few press accounts heeded the warning of William Green, president of the Federation, that the gain was seasonal and would probably be lost in November. Moreover, Mr. Green uttered the dire prophecy that "the September gain does not alter our estimate that at least 13,000,000 will be out of work by January, 1933."

To meet this continuing emergency, a campaign for funds is being directed by a national welfare and relief mobilization committee of which Newton D. Baker is chairman. In a nationwide radio appeal on Oct. 16 President Hoover urged the people of the United States to "provide to the utmost extent for the local community support to the increased distress over the country." Mr. Baker has said that "at least one family in every twelve is receiving public or private aid in 126 cities" surveyed by the United States Children's Bureau. These cities represented about 56 per cent of the nation's urban population.

Another phase of the unemployment problem is the breaking up of homes, a development which has increased the number of children placed in institutions by 48 per cent since July, 1930. It has brought into American life the problem of the homeless, wandering boy; more than 200,000 vagrant children, it is estimated, are now traveling aimlessly about the country. Here is a most serious addition to the more commonly discussed social evils of unemployment.

This rapid survey of the nation's economic condition is necessarily not conclusive, but if recovery has begun it is difficult to see clearly. As has been said in these pages before, the panic period of the depression seems to be over, and for that the people of the United States may be thankful, but there is still ahead a long period of readjustment, reorganization and rehabilitation which will entail no small amount of hardship and suffering. Government finances and the condition of the railroads attract attention at the moment and cannot long be ignored, if the country is not to slip further into the economic morass. Possibly Congress will be able to devise a solution for these problems. Possibly the new administration will give the public a new hope which will result in a general business upturn. But for the present that upturn is hardly visible.

There are groups of citizens always seeking favors or assistance from the government; as is to be expected, in times of stress they flourish even more than in periods of prosperity. Requests from manufacturers for higher tariffs on their goods, for instance, are an old story and one need not be surprised to read of them now. A falling off in business, alleged competition from foreign products which enjoy the advantage of depreciated currencies and a constant desire to prevent the influx of commodities from abroad were behind manufacturers' demands in October for higher tariff protection. Although on Oct. 16, 180 economists petitioned President Hoover to reduce the present duties on imports, his answer was given in a request on Oct. 24 to the Tariff Commission to investigate tariff rates on sixteen commodities with a view to raising the already high duties. Possibly his action was related to the Presidential campaign; certainly it came at a time when President Hoover was vigorously supporting the protective principle.

Demands will be made upon Congress at its next session for immediate payment of the veterans' bonus, while groups, whose interest is not wholly unselfish, will seek to block that payment. There may not be another veterans' march on the capital, but disgruntled farmers are planning to descend upon the capital in December, while Communist demonstrations can probably be expected. Unfortunately for the peace of Washington, General Pelham D. Glassford, whose handling of the B. E. F. won praise from all sides, is no longer Superintendent of the Washington Police Department. He resigned on Oct. 20 in protest against the refusal of the Commissioners of the District of Columbia to approve his plans for reorganizing the Police Department. Presumably his resignation was not without relationship to his controversy with the Federal authorities over the eviction of the veterans from Washington last July.

### *THE ISLAND POSSESSIONS*

From the American point of view the most interesting recent episode in the Philippines was the cool reception given to Representative Butler B. Hare, author of the Hare bill granting independence to the islands, on his visit there in October. The Hare bill has aroused no enthusiasm among Filipinos and it has been suggested among them that Mr. Hare was more interested in his own constituents than in the Filipinos. Sentiment in the Philippines, despite the stand taken by the Legislature for immediate independence, seems to be divided, and in these times of storm and stress many citizens do not relish the possibility of losing the economic advantages which arise from political union with the United States.

The Filipino Legislature has not been treating kindly various proposals of Governor General Theodore Roosevelt. His second legislative message recommending tariff increases aroused opposition in many influential quarters. Moreover, his governmental budget received rough handling when on Oct. 21 a subcommittee of the House of Representatives discarded it and substituted one of its own.

At a special session of the Puerto Rican Legislature Governor Beverley reported on Oct. 18 that property damage in the recent hurricane amounted to $30,000,000; 245 persons were killed and 3,329 injured.

# The Lull in Mexico's Religious Wa

*By* CHARLES W. HACKETT
*Professor of Latin-American History, University of Texas; Current History Associate*

THERE was comparative calm during October in the war which the Mexican Government recently reopened against the church with the expulsion of the Apostolic Delegate, Mgr. Leopoldo Ruiz y Flores, on the ground that he was an undesirable foreigner.

Catholics were temporarily alarmed by the arrest on Oct. 7 of Mgr. Pascual Diaz, the Archbishop of Mexico. This action followed the adoption by the Chamber of Deputies of a motion calling for a complete inquiry as to whether Mgr. Diaz was within his legal rights in exercising his clerical functions without having registered with the civil authorities. He was detained at Police Headquarters overnight, but was released on the morning of Oct. 8 after he had paid a fine of 500 pesos. It was officially explained that the prelate had been "invited" to go to Police Headquarters because he had not complied with the law requiring priests to register, and the Archbishop had thought that he was not subject to the same regulations as ordinary priests.

After being released, Mgr. Diaz registered with the proper civil authorities and returned to his duties at the Cathedral of Mexico City. He at once issued a pastoral letter in which he denounced any attempt at armed resistance by Catholics and cautioned them to obey the laws and to avoid any movement that might be construed as resistance. This letter was read in all Catholic churches.

Early in October the Italian-Mexican Claims Commission adjourned, thus marking the settlement of all claims, except those of the United States and Spain, which had been file against the Mexican Government fc damages suffered during the revc lutionary period in Mexico from 191 to 1920. The adjudication of foreig claims against Mexico began in 192 with the creation of the United State Mexican Special Claims Commissio and the United States-Mexican Ger eral Claims Commission. The firs of these commissions, which limite its investigation to claims of Amer can citizens for damages suffered dur ing the revolutionary period, was use as a model for the establishment c similar commissions by Great Britair France, Germany, Spain, Belgium Italy and Japan.

A total of more than $100,000,00 was asked of Mexico by the nation whose claims have now been settlec Great Britain claimed $70,000,000, an was awarded a little more than 3 pe cent of that amount; France claime $23,000,000, and received 3 per cen of that amount; Germany asked fo $3,000,000, and, according to reports is to be paid $250,000; Belgiur claimed $660,000, and received $82,00( Japan, after the amount of her claim had been agreed upon, renounced col lection, taking the stand that Jap anese nationals in Mexico should incu the same risks as Mexicans. Th awards of the recently adjourne Italian-Mexican Claims Commissio have not yet been made public.

Spanish claims against Mexico tota $82,000,000, and a settlement is nov being negotiated. The joint figure of the United States-Mexican Specia and General Claims Commissions, no allowing for many cases of duplica tion, amount to more than $900,

000,000. An agreement prolonging the life of these two commissions for another two years was ratified by the Mexican Senate early in October. Before this extension becomes valid it must be ratified by the United States Senate and ratifications must be exchanged.

*NICARAGUAN REBELS ACTIVE*

There is evidence that the Sandinista rebels in Nicaragua are becoming more daring in their raids. On Oct. 1 the village of San Francisco del Carnicero, only twenty miles north of Managua, the capital, was sacked by 150 rebels under Juan Pablo Umabzor, one of Sandino's ablest Generals. Several public buildings were burned and a number of women and children were carried off. Only four members of the National Guard were on duty in the village, which was in a region that had never been molested before, and it was necessary to send a Guard patrol to its relief from Managua. During the last four days of September National Guard patrols had five encounters with rebel bands, in which thirty-one rebels and two guardsmen were killed and more than thirty rebels and three guardsmen, including Lieut. W. A. Lee of the Marine Corps, were wounded. National Guard headquarters announced that during September there had been seventeen engagements between guardsmen and rebels. Fifty-eight insurgents and three guardsmen were killed, and twelve rebels and five guardsmen were wounded. In addition, large quantities of arms, ammunition and supplies were captured from the rebels.

Nicaraguans went to the polls on Nov. 6 and elected Dr. Juan B. Sacasa, the Liberal candidate, to succeed President Moncada. The election was supervised by the American marines under the command of Rear Admiral C. H. Woodward, and no disorders were reported.

*Nueva Prensa,* the leading Conservative organ of Nicaragua, commented editorially on the conduct of the election as follows: "Admiral Woodward returns to his country with a tranquil conscience, sure of having completed his duty with loyalty and energy, having maintained by his and his subordinates' attitude the honor and impartiality of the United States, making certain free, just and honest elections."

General Sandino's representative in Mexico City announced on Nov. 7 that the rebel leader would not recognize the winner in the Presidential election, but planned to seize Managua and call a new election.

*PANAMA'S NEW PRESIDENT*

Dr. Harmodio Arias on Oct. 1 took the oath as President of Panama before the National Assembly, the Supreme Court, the diplomatic corps and United States civil and military officials in the Canal Zone. In his inaugural address he indicated that he would favor an early downward revision of the tariff schedules, particularly on articles not produced in Panama. He predicted that a very moderate tariff on such articles would not affect customs receipts and, by increasing imports, would stimulate other business activities.

The first official act of Dr. Arias was to sign a law which abolished the positions of 200 government employes, including five in his own office. An official statement on Oct. 7 explained that the new administration had inherited an empty treasury and arrears in the payment of salaries to government employes amounting to $500,000, and that, in addition to the large foreign debt, there was a floating debt of $3,000,000, while revenues had fallen off $200,000 a month.

An assault was made upon the Assembly on Oct. 27 following its failure to approve a bill reducing rents in Panama City. Martial law was declared, and President Arias appointed a commission to deal with the rent problem, which has been threatening public order for six months.

### *OPPOSITIONISTS LEAVE CUBA*

During the first week in October eleven prominent Opposition leaders in Cuba sought refuge in foreign embassies and legations under the so-called asylum agreement which was adopted by the sixth Pan-American Conference. Among them were Dr. Manuel de la Cruz, Conservative minority leader in the House of Representatives; Dr. Ricardo Dolz, rector of the University of Havana; Dr. Fausto Menocal, a brother of former President Menocal, and Julio Rabell, Nationalist leader. These men feared that their lives were in danger after the assassination of four of their colleagues late in September. Despite assurances by Secretary of State Ferrara that their fears were groundless, most of them either left Cuba or planned to do so immediately. Dr. Pedro Sotolongo, a prominent member of the opposition party and an eminent lawyer of Havana, who has been held incommunicado for four months in Principe Castle, appealed late in September to the United States Embassy for protection. It was reported on Oct. 18 that he was to be permitted to leave for Spain as a political exile.

Constitutional guarantees, which have been suspended in Cuba for the greater part of two years, were restored by Executive decree for two weeks from Oct. 17. This action was necessary in order to comply with the electoral code, which specifically prohibits the holding of elections while constitutional guarantees are in suspension. Cuban Congressional elections were scheduled for Nov. 1.

Despite the restoration of constitutional guarantees, military control in Cuba was tightened in mid-October. "These measures," according to a statement issued by President Machado on Oct. 15, "are only for the purpose of guaranteeing the free exercise by the voters of their rights in the election on Nov. 1." The public in general showed little enthusiasm over the election, and only the Liberal candidates and those of other parties which are in sympathy with President Machado's policies were elected.

With production figures practically complete, the Sugar Export Corporation announced on Oct. 8 that Cuba's 1931-32 sugar crop amounted to 2,602,336 tons. The surplus from the previous crop amounted to 589,832 tons. Exports and local consumption to that date reached a total of 2,083,001 tons, leaving a balance of 1,109,167 tons. Exports to the United States amounted to 1,374,549 tons.

### *AMERICAN PLANS IN HAITI*

In an exchange of notes with the Government of Haiti, made public on Oct. 10, the Department of State again announced the intention of the United States Government to withdraw its marines from Haiti. At the same time Haiti was warned that persistent refusal of its Assembly to accept the new treaty would delay the withdrawal of the marines until 1936, the limit set by the treaty of 1915.

The publication of the notes was supplemented with an explanation by Under-Secretary of State Castle that in the present circumstances the United States would proceed with the present program, which provides: first, "the Haitianization of the Department of the South by Dec. 31 in accordance with the plans drawn earlier this year and before the negotiation of the new treaty"; and, second, "the continuation of the plan of Haitianization of the Garde in accordance with the treaty of 1915 and the recommendations of the Forbes Commission." It was pointed out, however, that the existing program does not contemplate completion until 1936, instead of 1934, the date provided in the new treaty.

# South American Elections

By Henry Grattan Doyle
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THE recent Presidential elections in Chile and Ecuador, resulting in each case in a decisive choice by the voters, bring in their train hopes for the early resumption by those countries of government by Presidents deriving their powers from a popular mandate expressed through the medium of the ballot box. Inauguration in due course of the new Presidents-elect, Arturo Alessandri of Chile and Juan de Dios Martínez Mera of Ecuador, will leave only one Provisional Presidency in South America, that of Getulio Vargas of Brazil. All the other Presidents have been through the form at least of being elected. Even the "strong man" government of General Gómez in Venezuela, the sole survivor of the dictatorships which flourished in South America before the political and economic disturbances of the last three years, appears to preserve the color of constitutionality after more than a score of years of unbroken domination of that country. In Brazil the Vargas government has apparently thoroughly re-established its control after surviving a civil war in comparison with which the ordinary South American revolution assumes the proportions and significance of a comic-opera affair.

With internal conditions approaching a state of calm in the three "trouble spots" of the continent, Chile, Ecuador and Brazil, that other bugbear of peace in South America—the boundary dispute—seems to be left in undisputed possession of the stage. Resumption late in October of negotiations looking toward a settlement of the Chaco territorial question between Paraguay and Bolivia may mark the end of the recent critical phase of that dispute, during which an extra-official war has apparently proved itself to be as needlessly destructive of human life as one accompanied by a formal declaration of war. Heavy fighting is, however, still reported in the Chaco, in spite of the difficulties attending military operations during the rainy season.

The Leticia border incident, affecting Peru and Colombia, also continues to menace international peace on the southern continent. Definite progress in the direction of the employment of arbitral methods to settle the matter remained to be made at the time of writing. The appointment of Dr. Victor M. Máurtua, one of Peru's leading exponents of international cooperation, as Peruvian representative in case the Inter-American Conciliation Commission is set up, was a hopeful sign. Colombia's traditional attitude of support of inter-American arbitration, as manifested by her participation in neutral efforts to compose the Bolivian-Paraguayan dispute, may also be regarded as a reassuring factor, though there was no indication at the time of writing that the appointment of Pomponio Guzmán, former Minister of Foreign Affairs of Colombia, as special Colombian representative in Washington implied that he would serve as the Colombian delegate to a conciliation conference, as reported in some instances in the American press. In fact, a statement issued by Dr. Guzmán on Nov. 2 reiterated the position of Colombia, reported here last month, that the question of Colombian sovereignty

over Leticia is a domestic, not an international, matter.

The situation with regard to Leticia is complicated by a long-standing territorial dispute between Ecuador and Peru over territories adjacent to the focal point of Colombian-Peruvian difficulties. This is the so-called Oriente controversy, affecting about 40,000 square miles of territory lying east of the Andes and in the basin of the headwaters of the Amazon, or Marañón, River, which is claimed by both Ecuador and Peru. On Oct. 10 a clash occurred between Ecuadorean and Peruvian patrols near the town of Huaquillas in the disputed region. The difficulty was reported to have been adjusted when the prefect of the Peruvian Civil Guard apologized to the Ecuadorean Governor of Machala. The incident, perhaps not very significant under ordinary conditions, becomes important in view of the disturbed state of Peruvian-Colombian relations. Ultimately it may bring Ecuador into the dispute either as a diplomatic or military ally of Colombia or as an interested principal in efforts to fix definitely the boundaries of the three countries concerned.

### *THE CHILEAN ELECTIONS.*

Despite reports that the Chilean Presidential and Congressional elections called for Oct. 30 might be postponed because of opposition by army and navy officers, balloting took place on that date. The election was apparently unaccompanied by disorders. Arturo Alessandri, President of Chile from 1920 to 1925 (except for a brief interval), received a clear majority of the votes cast. The result was reported as follows: Arturo Alessandri, Moderate Socialist, 183,744; Colonel Marmaduque Grove, Socialist-Nationalist, 60,261; Hector Rodríguez de la Sotta, Conservative, 45,267; Enrique Zañartu, Agrarian, 42,273; Elías Lafertte, Communist, 4,621. The President-elect was the unsuccessful radical candidate against former President Juan Esteban Montero in 1931. In the recent elections, however, he had the support of the conservative and intellectual classes, not only because of their confidence in his integrity but because his program of "practical socialism" was less radical than that of the extremist Colonel Grove, his leading opponent. The latter returned from his exile on Easter Island, the Chilean penal colony in the Pacific, in time to participate in the election, but not in the campaign. He had been exiled by former Provisional President Carlos Dávila. It seemed likely, as this was written, that the Senate would be controlled by moderates, the lower house by radicals.

The President-elect issued a manifesto on Nov. 2 calling on all Chileans to cooperate in a "truly national administration," representing all sections of public opinion. Among the points in his program were the following: Governmental decentralization, permitting the provinces to enjoy a larger measure of local self-government; reconstruction and solution of unemployment; aid to agriculture, industry, mining and commerce; readjustment of the peso with the aim of bolstering up the currency; and a solution of the problems of the nitrate and copper industries. The President also asked the cooperation of all classes and of the armed forces of the nation in supporting civil rule as opposed to dictatorship, in the spirit of the Constitution of 1925, for which he was largely responsible. Colonel Grove, in a manifesto to workingmen issued on the following day, declared that he would "fight for the definitive triumph of the socialistic ideal," and would "refuse to cooperate with any non-socialistic government." The traditional political parties have now recovered their position, he said, "not because they represent the true desires of social forces but because they were favored by the influence of

money, governmental pressure and antiquated electoral machinery."

It was first reported that the provisional government of Abraham Oyanedel would enable the new President to assume power immediately by the well-known device of appointing him Minister of the Interior and then resigning in his favor, but later reports indicated that the Provisional President would retain office until the new term officially begins in January. Señor Alessandri's inauguration will give Chile a fresh start on the road of constitutional government and will put her back politically where she stood before the overthrow of President Montero.

The President-elect has enjoyed a large popular following in Chile. He is her greatest political orator and is popularly known as "The Lion of Tarapaca." A sincere believer in constitutionalism, he has stood for progressive social legislation and has been a stanch champion of labor. The child of a father of Italian origin and a Chilean mother, and largely self-made, he distinguished himself in politics while still a law student in the National University, from which he was graduated in 1899. After serving as Senator and Cabinet Minister he was elected President by an alliance of Liberals, Radicals, Democrats and Laborites in 1920, taking office in December of that year. Because of conflicts with Congress he resigned in 1921, but reconsidered and continued to serve until Sept. 8, 1924, when he resigned after receiving a joint ultimatum from army and navy groups demanding reforms which the President was unable to wring from a recalcitrant Congress. A military junta, headed by General Luis Altamirano, proved short-lived, and after its overthrow in January, 1925, Señor Alessandri was invited by representatives of all groups to return to Chile. He resumed office on March 20 of that year, secured the adoption of a new Constitution in August, and thereupon resigned. The government placed in office under the new Constitution, headed by Emiliano Figueroa as President, lasted only from October, 1925, until early in 1927, when it was forced out by Colonel Carlos Ibáñez, who proceeded to set up the dictatorial government which was finally overthrown in 1931.

### *ELECTION RESULTS IN ECUADOR*

The Ecuadorean elections, held on Oct. 30 and 31, resulted in the victory of the Liberal candidate, Juan de Dios Martínez Mera, former Minister of the Treasury, by a reported plurality of 32,861 votes over his Conservative opponent, Manuel Sotomayor Luna, former Ambassador to Chile, and the Radical Socialist candidate, Pablo Haníbal Vela. The elections were relatively free of disorder, but the government found itself forced on Nov. 1 to put down a threatened revolt in Riobamba in favor of a military dictatorship under Luis Larrea Alba (his second attempt), as well as a reported revolutionary movement among the defeated Conservatives. Charges of fraud in the elections resulted in the appointment on Nov. 2 of a Congressional investigating committee. The President-elect was to take office on Dec. 1, thereby continuing the tradition of Liberal rule which has prevailed for the last thirty years.

### *EXILE OF BRAZILIAN LEADERS*

On Nov. 1 seventy-eight leaders in the recent Brazilian revolt, including military men, editors and politicians were deported by the provisional government aboard the prison steamship Pedro Primero, which had been anchored in the harbor of Rio de Janeiro since the collapse on Oct. 3 of the three months' revolt. It was reported that the exiles would be sent to Europe by way of Pernambuco. The families of the exiles were not allowed to board the ship before its departure from Rio de Janeiro, but were permitted to wave farewells from

launches which circled the ship. Among those deported were Generals Bertholdo Klinger, military leader of the revolt, and Isidor Dias Lopes; Oswaldo Chateaubriand and Julio Mesquita Filho, journalists, and Guillermo Almeida, a well-known poet. Former President Arturo Bernardes, Borges de Madeiros, a leader of the Paulistas, and Pedro de Toledo, former Federal interventor in Sao Paulo, are expected to be deported later. Rio de Janeiro reports characterize the action of the provisional government as a shrewd move which at once relieves it of the necessity of holding long-drawn-out and expensive investigations and trials and at the same time removes men who might have been active political factors in the elections announced for May 3, 1933.

It is evident that one of the results of the unsuccessful revolt is the rise to positions of national power and influence of two of the successful Federal Generals, Goes Monteiro, commander-in-chief of the Federal army, and Waldomiro Lima, military governor of the State of Sao Paulo. Although both are military men, they favor complete separation of the army from politics. They also advocate a new Constitution which would provide for complete sovereignty of the Federal government, without overcentralization. State autonomy would be preserved, but only in administration. On Oct. 27 a commission of thirty-one members was appointed by Presidential decree to draft a new Constitution for Brazil. Among its leaders are General Goes Monteiro, three Cabinet Ministers, Alfranio Mello Franco, Oswaldo Aranha and José Americo; and Ambassador Assis Brazil. In a statement on Oct. 25, Minister Oswaldo Oranha, a leader in the State of Rio Grande do Sul, declared that the elections would be held next May "with the government's will, without the government's will, or contrary to the government's will."

Provisional President Vargas on Oct. 15 extended for sixty days the moratorium on domestic debts and decreed a period of forty-five days for withdrawal of the scrip money issued in Sao Paulo during the recent revolution.

### *THE CHACO DISPUTE*

Conferences were resumed at Washington on Oct. 27 under the auspices of the five neutral governments—Colombia, Cuba, Mexico, Uruguay and the United States—looking to the restoration of peace in the Chaco pending the solution of the territorial dispute between Bolivia and Paraguay. Bolivia was represented by Enrique Finot and Paraguay by Juan José Soler. Dr. Eduardo Diez de Medina, former Bolivian Minister in Washington, and Señor Ynsfrán, Chargé d'Affaires of Paraguay, who have been delegates to previous conferences, did not attend, and press reports indicated that Dr. Diez de Medina had not been reappointed as a Bolivian delegate.

The basis on which the new negotiations were begun was reported to include the following program: (1) Separation of the respective armies in the Chaco (apparently equivalent to the withdrawal previously proposed); (2) demobilization of reserves by both countries; (3) reduction of the regular armies of the countries to a fixed limitation. Further points in the program include the dispatch of a neutral military commission to the Chaco to see that the conditions are complied with, and an agreement to settle the dispute by arbitration, direct negotiations to begin within a short period after signing of the agreement. Paraguay assented to the plan on Oct. 14 and Bolivia on Oct. 26, after a Cabinet change on Oct. 25 which apparently affected the attitude of the administration toward the neutral proposals.

Bolivia has had serious difficulties both in the field and in her internal political life. After the fall of Fort Boquerón on Sept. 29, the Paraguay-

ans began a sustained drive in which they captured a number of other forts and took numerous prisoners. On Oct. 23 they captured Fort Arce, field headquarters of the Bolivian armies in the Chaco, and base, according to the Paraguayans, for the projected Bolivian advance against Paraguay under the original plan of campaign. The next objective of the Paraguayans was Fort Samaklay (or Agua Rica) and reports on Nov. 5 indicated that steady fighting was taking place in that sector.

A dispatch to *The New York Times* from Buenos Aires estimated the Bolivian dead in the Chaco at a minimum of 3,000. The same dispatch reported that the Bolivian 14th Infantry Regiment was annihilated at Fort Boquerón, with a loss of 800 young men between 19 and 21 years of age, mostly students from La Paz. Of the twenty-one survivors of the regiment, twenty were wounded and one is a prisoner. If these figures are correct, they not only indicate serious Bolivian losses in the Chaco but sharply emphasize the folly of recourse to arms by the two countries.

Cabinet changes in the last few weeks have followed each other at short intervals. A coalition Cabinet formed on Oct. 21 resigned on Oct. 25, and was replaced by a wholly Republican group. On Oct. 27 the Senate passed a vote of non-confidence in the Cabinet. At the same time rumors came from Argentine correspondents that President Daniel Salamanca of Bolivia intended to resign. On Nov. 5 the Republican Cabinet resigned, and President Salamanca appealed to Vice President Juan Luis Tejada Sórzano, leader of the Liberals, to form a new coalition Cabinet to which the President would delegate his Presidential powers. The new Cabinet would unite all groups for national defense, according to reports.

The commission of neutrals at Washington on Oct. 14 published telegraphic correspondence with the League of Nations tending to dispel rumors that the League was attempting to interfere in the conduct of these negotiations.

### *THE LETICIA QUESTION*

Reference has already been made to the diplomatic status of the Leticia question. Press reports indicate that the military aspect is less promising. Peru, according to advices, has heavily fortified Leticia, while Colombia has dispatched an army of some 8,000 men to retake the place. It is not impossible that contact between the forces of the two countries may develop into the same kind of unofficial warfare that has been raging in the Chaco. In case of hostilities it is not unlikely that Peru may have an initial advantage, owing to the superior training and equipment of her military forces, including her air force. Colombia, however, would doubtless ultimately prove superior in man-power, and her finances and credit are probably in much better shape. A Colombian national defense loan of $10,000,000 is reported oversubscribed. An American steamer purchased by Colombia for use as a troopship is already on the way, and negotiations are reported under way for the purchase of a Spanish gunboat. An unconfirmed report on Nov. 4 stated that Peru had placed a war loan of 100,000,000 soles (about $20,000,000) in Japan, after negotiations with American bankers failed. One-fourth of the Japanese loan was to be delivered in war materials, according to the report.

Reference has already been made to the danger of border complications with Ecuador. Brazil may also find herself involved through violation of her territory or other factors. It is reported that Brazilian frontier guards in the region are being reinforced, just as Argentina has found it necessary to strengthen her military forces along the Pilcomayo River because of the Bolivian-Paraguayan dispute.

# British Labor Becomes Unruly

*By* J. BARTLET BREBNER
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THE British unemployment figures for Sept. 26 totaled 2,858,011. This showed a slight decline, but was still 33,239 more than in 1931. More serious was the fact that 94,000 fewer persons were in employment than in 1931. It was claimed officially that, excluding the weavers, who were then on strike, there would have been 31,000 more employed than in 1931. It is notorious that the unemployment figures during 1932 have been affected by the large numbers who have been struck off the registers after rigorous examination.

About one-third of the British unemployed have exhausted their insurance rights and are receiving "transitional" benefit or the "dole." The present government has felt it imperative to investigate the resources of these persons and the administration of this "means test" has been in the hands of local assistance committees, not all of whom have exercised it humanely or wisely. The resulting public scandal has evoked widespread protests among the unemployed, who demand "work or maintenance."

The scattered protests in September were not met by a uniform response from the local authorities, and in October the protesters were organized into marches on London to force Parliament to abolish the test. On Oct. 18, a demonstration near the County Hall developed into a six-hour battle over the Westminster Bridge approach to the Houses of Parliament. In all, about 10,000 persons were involved. On Oct. 27 some 2,000 marchers held a meeting in Hyde Park without disturbance, but W. A. L. Hannington, a Communist, who directed the convergence on London, could not or would not control about 20,000 Londoners who gathered outside the park. Rain ended another conflict between police and civilians after about two hours. On Sunday, Oct. 30, a huge mass meeting was held in Trafalgar Square and kept there by the police in spite of some effort to break through the approaches to the Mall and Buckingham Palace. Again Londoners, instead of marchers, contributed the violence. John McGovern, hitherto a somewhat turbulent Labor Member of Parliament, offered to assist the marchers to petition for a hearing at the bar of the House of Commons in a regular way, but Hannington rejected his offer in favor of an attempt on Nov. 1 to force a way into the House. The attempt was made and failed when the 20,000 raiders were herded back to Trafalgar Square. Hannington was arrested.

Meanwhile Prime Minister MacDonald was obviously very much embarrassed by his inability to declare the government's policy as to the means test. There was no revelation of what must have been a prolonged Cabinet argument, but the behavior of a substantial group of Conservatives in the House of Commons could only be described as calculated to aggravate the situation. The government seemed to be committed to the use of the means test and not yet in agreement as to improvement and uniformity in its administration. The police, who had maintained their record of not using firearms in spite of much severe treatment, perhaps naturally protested against the inception of the second half of their 10 per cent pay cut in November.

The weavers' strike was barely set-

tled before the attempt by the employers to extend the new wage scale to the spinners brought the threat of another stoppage. After ten days of negotiation, it was agreed on Oct. 23 to accept reductions of about 7½ per cent, but the union executives rejected the settlement and called a strike for Oct. 31. It seemed likely that direct balloting of the operatives, which began at once, might end the strike at the end of a week, but the card-room workers were already affected, and if the 200,000 spinners and carders should stay on strike, an equal number of weavers would be forced out of work again. The spinners induced the owners to accept the principle of a forty-eight-hour week in the settlement, but the difficult problem of oiling and cleaning time still caused difficulty.

No doubt it was the unsatisfactory conditions of labor and employment that accounted for the continued movement of the Labor party toward the Left. The party conference in early October broke away from the old-line leadership, with Sir Charles Trevelyan most notable in espousing the new more outright Socialist policies and E. F. Wise in the background. On Oct. 18 Arthur Henderson resigned the formal leadership in favor of George Lansbury. With MacDonald, Snowden and Thomas also out of the way, and the Independent Labor party no longer affiliated to the Labor party, the latter must now find new leaders as well as new policies. The gains by Labor candidates at the municipal elections on Nov. 1, however, seem to indicate that the party is recovering some of the ground it lost in the country through its overwhelming defeat at the last general election. Meanwhile, Sir Herbert Samuel and the Liberals who followed him out of the National government in September have been trying to take advantage of the situation to make theLiberal party in the House of Commons once more the chief opponent of the Conservatives. At the moment the Liberals, even while they ignore Mr. Lloyd George, can provide a far better Parliamentary Opposition than Labor.

The demonstrations of the unemployed and their encounters with the London police undoubtedly served to accelerate an abrupt decline in sterling exchange, which at one time carried it down 19 cents to $3.26, within 3 cents of the lowest point since the passing of the gold standard and within 8 cents of its lowest since 1918. No apparent effort was made by the Bank or the Treasury to arrest the decline by using the exchange equalization fund. There were substantial withdrawals of foreign balances and the decline continued until Oct. 29. On Nov. 1 the pound rose to $3.3075.

Among the many suggestions made as to the cause, the approaching $95,000,000 debt payment to the United States, the necessity of meeting in one form or another the £165,000,000 of unconverted war loan and the idea that a capital levy was being made for a new start in industry seemed furthest from the mark. Berlin believed that the decline was engineered to reinforce the tariff barrier against foreign goods. Others attributed it to a decline in receipts from foreign investments so serious that the invisible items of the balance of payments failed to counteract even the greatly decreased adverse balance of trade.

The best explanations were that sterling, unsupported and therefore subject to speculation, was responding in an exaggerated way to seasonal purchases of wheat and cotton and that the government was glad to see sterling fall in order to raise internal prices. Nothing has been more extraordinary about Britain's abandonment of the gold standard than the failure of prices to rise. Sterling is depreciated about 32 per cent, whereas prices have risen only between 3 and 4 per cent. While sterling fell during October, Crump's index of wholesale prices also fell steadily from 64.2 to

62.5. The expressed policy for economic revival of the British Government is the raising of commodity prices. It has shown that it will accept a decline in sterling to effect it.

Confident advantage has been taken of the prevailing low interest rates by the Treasury. On Oct. 11 the market absorbed in an hour £150,000,000 in 2 per cent bonds, due 1935-1938, the proceds of which were to be used to pay off £140,000,000 of 4½ per cent bonds due on Dec. 1. On Oct. 31 it was announced that £115,000,000 of 5 per cent bonds (1933-1935) would be redeemed on Feb. 1, 1933. On Nov. 1 a fifth conversion loan of £300,000,000 in twenty-year 3 per cent bonds was announced, raising the conversion total this year to £2,500,000,000 and effecting a saving to the Treasury of £40,000,000 a year. The Bank of England continued to add slightly to its gold reserve, in spite of gold shipments from London to New York, so that the total of £140,400,000 at the end of October was the highest since July, 1931.

The foreign trade figures for September showed no improvement. Not only were they less favorable than for August, 1932, but, as compared with 1931, exports had declined £4,500,000, imports £14,000,000 and the adverse balance £9,600,000. This bad showing, with exports the lowest since 1905, was better than that of the rest of the world. Using the July figures for 1931 and 1932, the exports of leading countries had declined as follows: Great Britain, 2.5 per cent; Germany, 18 per cent; France, 19 per cent; Italy, 26 per cent; the United States, 29 per cent. Fluctuations in exchange were a handicap in spite of the rapid discounting of sterling bills in international finance.

### *THE OTTAWA "SECRET SCHEDULES"*

Owing to the Canadian constitutional procedure by which such budgetary changes as tariff alterations go into force immediately upon announcement, the secret terms of all the Ottawa Conference treaties were made public simultaneously on Oct. 12. The British public was quite confused by the complexity of the agreements, but the more important considerations gradually emerged. In spite of the extravagant praise and condemnation of the treaties by the opposed political leaders, there was a steady undercurrent of feeling that the United Kingdom had been worsted in the bargaining, an impression which was strengthened by the definiteness of the British and the vagueness of certain Canadian and Australian concessions.

From the United Kingdom point of view, Canada seemed to have given very little, notably in markets for textiles. The duties on cottons were reduced by about one-third and on wool by about one-quarter. Greatest hopes were attached to hardware, chemicals, machinery and coal, but even these were not very confident. It was asserted that the iron and steel producers had been forced to divide the Canadian market privately with producers in the United States as well as Canada. Canada gave free entry to seventy-nine kinds of manufactured goods and lowered the duty on fifty-three more. Her disquieting action was the raising of the duties on eighty-three classes in order to increase the British preference and at the same time give "compensatory" protection to her own industries. Sir Arthur Salter, in a letter to *The Times* (London) on Oct. 27, questioned both this procedure and the engagements not to alter the agreed-upon tariffs for five years, and in so doing he expressed succinctly the vague uneasiness of many others. It was calculated from the Canadian import figures for 1931-1932 that the United Kingdom had the opportunity to add to her $54,000,000 share of the affected classes of imports a substantial portion of the $71,000,000 share of the United States.

Because of revenue problems, Australia confined herself to promises to reduce a good many duties in the future. New Zealand acted promptly and gratefully, but could not help British exports much. South Africa began at once to negotiate a new treaty with Germany after keeping her promise to denounce the existing one as incompatible with the Ottawa agreement. British textile interests agreed that South Africa had really given them a chance. India, through Indian negotiators, recognized the principle of imperial preference for the first time, but the debates on ratification must reveal whether the British concession of preference to raw materials and to some manufactured and semi-manufactured goods is an acceptable price.

The restrictions on entry of foreign meats were revealed to be dual. The United Kingdom is to take from Argentina the same amount of beef as in 1931, but imports of mutton, lamb and other than Argentinian beef are gradually to be cut to 65 per cent of the 1931 amounts during the next eighteen months. The trade treaty with the Soviet Union was to be terminated on six months' notice from Oct. 17, but the notice was accompanied by a request for the negotiation of a new one, and in late October new Russian orders for steel and locomotives were received. The interesting problem of how to compute the world prices of non-ferrous metals and foodstuffs which condition the new tariffs on them was raised during the debates in Parliament. Universal tariffs and exchange fluctuations have almost destroyed the idea of a free world price for commodities.

The National Government's huge majority in the House of Commons enabled it to secure enactment of the legislation with little difficulty. Moreover, foreign countries justified the government's prediction that the Ottawa agreements would force them to bargain with the United Kingdom as the Dominions had. On Oct. 25 the House of Commons was informed that sixteen countries had asked for negotiations. If the United Kingdom could use this situation to bring foreign tariffs down to its own low level, a notable step would be taken to loosen international trade. It was generally recognized, however, that the exchange controls now affecting thirty commercial countries were even more obstructive than tariffs to world commerce. In connection with the renewal for two years from Oct. 25 of the temporary 33 1-3 per cent tariff on iron and steel, the rôle of the import duties advisory committee as a lever to force improvement of productive efficiency was reiterated, but it was also suggested that a more immediate outcome would be stronger bargaining power with the Continental steel cartels.

### *ANGLO-IRISH AFFAIRS*

The direct negotiations over th £5,000,000 of land annuity payment by Irish Free State farmers to Britisl lenders broke down completely or Oct. 15 after two days of discussion in which there seems to have been n common ground. Mr. Thomas de scribed the meetings to Parliament or Oct. 18 and Mr. de Valera gave hi version to the Dail on Oct. 19. Th basic difference was that the Britisl upheld and the Irish denounced as in valid the financial agreements con cluded by the Cosgrave governmen in 1923 and 1926. The British wer prepared to arbitrate the annuities but insisted on a commonwealth tri bunal, which Mr. de Valera refused Finally Mr. de Valera introduced a counter-claim of £400,000,000 fo overtaxation from 1800 to 1922 an an unspecified amount for Irish losse consequent on the passing of the gol standard.

This disappointment of widesprea hopes for a settlement was dispiritin in the light of the present desperat economic plight. The exemption fror

British tariffs was to end on Nov. 15. The habitual channels of Irish trade have been almost blocked and new ones are inaccessible. Labor, upon whose representatives Mr. de Valera depends for a majority, has been very restive. The new tariffs and bounties may ultimately make the Free State self-sufficient, but the middle class are paying for the transition and will have to pay more in increased income taxation. It was commonly held that there would have to be a general election soon, with Mr. de Valera advocating a real break with the United Kingdom.

Belfast, in Northern Ireland, was the scene of serious rioting and destruction of property on Oct. 12 and 13, when workers on relief projects demonstrated against their rates of pay. They won a new wage scale after a general strike had been threatened. Tom Mann, visiting English Labor leader, was deported. Conditions were normal again by Oct. 17.

### *THE NEW CANADIAN TARIFF*

The Anglo-Canadian commercial agreement announced on Oct. 12 was in effect a new Canadian tariff, for a full third of the general tariff list was affected and in a large number of instances the Conservative policy of protection for Canadian industry was evidenced by increases in the existing rates. In introducing the new rates the Prime Minister made specific reference to the operation of American tariffs and indicated that the closer relations with the United Kingdom were Canada's response.

Estimates of the reduction in imports from the United States to Canada ranged from $40,000,000, the conservative Canadian estimate, to the $150,000,000 of the enthusiasts. Washington estimated it at $75,000,000 on the basis of 1930 trade. In addition, Canada hoped to supplant the United States in a large proportion of $200,000,000 of her 1930 exports to the United Kingdom. The British provision that Canadian grain exported through the United States must not be stored there if it is to enjoy the preference was expected to deprive American ports and warehouses of a good deal of profitable business. Perhaps the greatest importance of the pact so far as the United States was concerned was the five-year term during which the signatories promise to make no changes.

W. L. Mackenzie King, as leader of the Opposition, criticized the agreement because it raised Canadian duties, because by it Canada had assumed the right to dictate British fiscal policy and because the market concessions to the United Kingdom had been very slight. He reiterated the Liberal thesis that Canada must have world markets for her many surpluses and that raising tariffs is not the way to get them. The country as a whole seemed to welcome the treaty.

The rise in commodity prices from June to September arrested the decline of Canadian productivity and prosperity. Industry remained steady and employment was rising as late as Oct. 1. External trade in September was as follows (with percentages of comparison with 1931 in parentheses): Export total, $42,187,000 (86.1); to United Kingdom, $19,492,000 (128.3); to United States, $11,049,000 (51.4); import total, $34,504,000 (76); from United Kingdom, $7,515,000 (92.6); from United States, $19,545,000 (71.7). The dollar stood at about 92 cents early in the month, but fell to 90.68 cents on Nov. 1.

The drama of the month was provided by wheat and newsprint. As was indicated last month, Canada has far outstripped the United States in selling her wheat and, in order to move as much as possible of her large and high-grade crop before the Argentinian and Australian crops were marketed, has, on the whole, sold at any price offered. When the Canadian dollar rose and Chicago speculators continued to sell in what they considered

was a "pegged" Winnipeg market to cover Chicago sales, the price had to break in order to retain the favorable export position. The government refused to repeat the 1931 bonus of 5 cents a bushel and did not support the market. There was no sign of important diminution in the world's wheat surplus. No. 1 northern at one time fell to the unprecedented price of 45.5 cents, and on Nov. 1 the price for No. 2 northern was 45.36 cents. Chicago prices also broke heavily, but Canada retained her price advantage in the export market and wheat began to be sold abroad again.

When Price Brothers defaulted on bond interest after ninety days' grace on Nov. 1, it was evident that Canadian bankers and paper manufacturers had failed to effect consolidation in the face of the newsprint price war. Premier Taschereau of Quebec issued a warning on Oct. 24 and the bankers, under E. W. Beatty, met for the last effort on Oct. 25. There has been some international friction because the International Paper Company undercut the Canadian mills, but there is so much American money in the Canadian companies that the situation has resolved itself into a general North American one where overexpansion has brought about a struggle for survival of the fittest. The contract rate set in September was $45 a ton, but Montreal has since reported cash paper at as low as $35 a ton and contract paper at $40.

On Oct. 31, Canada floated a domestic loan of from $80,000,000 to $105,000,000 to yield 4.28 per cent in the three-year maturity and 4.50 per cent on fifteen and twenty year terms in order to meet budgetary and railway deficits.

### *AUSTRALIAN CABINET CHANGES*

J. A. Lyons, the Australian Prime Minister, was able to carry his economy proposals through the Commonwealth Parliament, but he faced the refusal of Dr. Page, leader of the Country party, to merge with the United Australia party for Cabinet purposes. As a result, Mr. Lyons's reconstructed Cabinet contained no Country party members, although he had offered them three places.

The Ottawa agreement won general support in Australia, although there was a feeling that the United Kingdom had not received concessions equivalent to her generosity. Stanley Bruce, in London, emphasized the tariff reductions which had been made and said that Australia did not plan to maintain the increased British preferences only by raising her tariffs. The tariff board would bend every effort to reductions compatible with the revenue position. Mr. Scullin, leader of the Opposition, objected to the loss of fiscal freedom implied in the promise to alter tariffs only in response to tariff board recommendations. Growers of pineapple and bananas in Queensland resented the competition of Fiji and Singapore.

Great Britain eased the budgetary position by postponing Australian war-debt payments pending settlement of the British war debt to the United States.

### *NEW ZEALAND CONDITIONS*

New Zealand appears to have weathered the economic storm and by drastic reduction of expenditure to have got within sight of a balanced budget next year. The final report of the National Expenditure Commission urged cuts in social services, however, and this provoked Labor opposition. The British moratorium on war debts was of very great assistance, but the loan and conversion outlook was not encouraging even with the improved budgetary position. The Ottawa agreement faced no effective opposition.

### *THE INDIAN SITUATION*

In India during October the enthusiastic program against Untouchability died away to a considerable degree af-

ter a few spectacular acts. It is not to be expected that Gandhi's victory over the high-caste Hindus can be materialized with any great speed. In the same way, the Hindu-Moslem conversations toward an accord reached no conclusive result. A small conference thought it had reached a settlement, but was disowned by the Moslems of Northern India, who refused to cooperate. There was a serious communal outbreak at Simla on Oct. 14. Another conference of Hindus, Moslems and Sikhs was to begin on Oct. 30, but it did not report any success. Meanwhile, the new India conference was summoned to meet in London on Nov. 15. Gandhi was not named as a member. The absence of reference to Burma was taken to indicate that it would be a separate polity. Gandhi's release from prison was repeatedly urged, but he refused to abandon his support for the waning civil disobedience campaign and the Viceroy refused to free him.

# Tasks of the Herriot Ministry

*By* OTHON G. GUERLAC
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WHILE speaking at the provincial town of Vesoul in Haute-Saône on Oct. 2 Premier Herriot of France remarked jestingly that all his Ministries seemed to be "Ministries of settlements." The French expression *ministère de l'echéance* refers literally to financial settlements; in 1926, when Herriot inherited the burdensome legacy of the National bloc, his work did relate mostly to finance, but it is possible to stretch the meaning of the word to embrace all settlements of unsolved problems that confronted the Herriot Ministry which came into power last June—the problems of disarmament, of interallied debts and of the budgetary deficit. All these questions harassed the government during the Summer recess and perhaps none more than that of disarmament and security.

When Parliament reconvened on Oct. 25 for its extraordinary session M. Herriot's first act was to outline before the Chamber the plan on which he had been working and which he was to present at Geneva for "the organization of peace and progressive disarmament." (For discussion of this plan see Mr. Gerould's article on page 331 of this magazine.)

M. Herriot made it clear that the proposal was no ultimatum. If it were not accepted France would continue to work in the conference for the organization of peace, "satisfied that she displayed her good-will and her generosity."

That a majority of the Chamber responded fully to the spirit which inspired the French plan was shown in the resolution drafted at the end of the debate by M. François-Albert, president of the Radical Socialist group. This motion recited all the reasons in favor of a policy of collaboration between nations "to rescue civilization from the dangers that threaten it" and went on record as committing the Chamber to the following principles: Respect for the League of Nations pact, especially in its condemnation of all aggression; general and supervised reduction of armaments with power given to the League to insure equality of all peoples; and suppression by all nations of the private manufacture and commerce in arms.

The plan elicited praise from the French liberal press, but much condemnation from some of the Nationalist papers whose attitude has consis-

tently discouraged everything which appears to deviate from the old-time policies of force, alliances and prestige. But if M. Herriot had listened to the spokesmen of the Paris press who have been preaching the gospel of fear and suspicion, he would not have followed the mandate of the electorate which gave him power, he would not have received the support of his majority, and especially he would not enjoy the growing popularity that his peace policies have won for him among the rank and file of Frenchmen.

The second problem that has confronted the Herriot Ministry—inter-allied debts and especially the question of what France is to pay to the United States—caused the Premier more embarrassment. He succeeded temporarily in having the discussion ruled out of the first debate that arose in the Chamber over foreign affairs, much as M. Marin wanted to drag it in. The Ministry felt that such a discussion would be imprudent in the midst of an American Presidential election. It was impossible, however, to repress M. Franklin-Bouillon, who has been since the end of the war a thorn in the flesh of all occupants of the Quai d'Orsay. This fiery Deputy argued that the result of the Lausanne Conference had been to deprive France of all the reparations which were due to her and which she needed if she had to pay her American debt. Speaking of the promise of 3,000,000,000 marks that M. Herriot obtained at Lausanne, he stated that this hypothetical sum was all that France had to meet "the new demands of the United States and the pressure of America, which is straining all its energy to make us pay what we do not owe."

This doctrine will receive fuller treatment when the issue, which was only postponed, comes up for a more elaborate discussion and when M. Marin, the Nationalist leader, examines what is to be done with the December payments due to the United States. Meanwhile, no provision for future payments was made in the next year's budget presented in outline to the Finance Commission. The government has informed the commission that no decision had yet been taken in the matter, while Senator Bérenger, who was the French representative in the Washington Mellon-Bérenger debt pact negotiations, stated in an article in *Le Petit Journal* of Oct. 24 that both the Hoover moratorium of June, 1931, and the Lausanne agreement of July, 1932, authorized France to ask for a new arrangement which would be based on her present capacity to pay. Judging from the reports that have come from the Commissions of Finance and Foreign Affairs, where numerous members raised the question, the government will allow the Chamber to decide whether France should fall back on the safeguard clause according to which she may not commit herself to pay her creditors except to the extent to which she herself is paid by the principal debtor. Such, at least, was the opinion reported to have been expressed by Minister of Finance Germain-Martin, while M. Herriot, speaking privately to the members, made a sharp distinction between the political and commercial debts. The latter, he felt, could not be disavowed.

The third question confronting the government, that of the 1933 budget, bids fair to be as difficult as the reparations problem. The budget has a prospective deficit of about $480,000,000, while income is estimated at $1,760,000,000 and expenditure at $2,240,000,000. How can the budget be balanced? The Finance Commission on the first day that it discussed the problem refused to consider the cut in the war pensions proposed by the government. On the other hand, for the civil servants, unpopular as the decision is among the officeholders, sacrifice seemed inevitable. These officeholders have increased from 617,000 in 1914 to 715,000 in 1932, while the corresponding appropriations for

their salaries have grown from $265,000,000 to about $450,000,000. The Radical Socialists resigned themselves to the necessity of accepting the reduction of from 5 to 10 per cent asked for by the government. The Socialists, on the other hand, continued to oppose it and looked for retrenchment in the direction of army expenditures. The only other methods of raising the necessary funds were seen in a stricter enforcement of the income tax and in new loans to be applied to the payment of war pensions—which represent a total of $293,840,000—and to the financing of public works. At best it will not be an easy task to build up a balanced budget in view of the continued crisis in all branches of French economic life.

French tax receipts have continued their downward trend. In September there was a decline of $40,000,000 over the same month in 1931. The French taxpayer, who pays 40 per cent of the national income in taxation, is becoming nervous and does not seem to get much comfort out of the great mass of gold in the vaults of the Bank of France and in which he has no sense of ownership.

Farmers have been alarmed by the decline in the price of wheat, which dropped 60 cents a bushel in one week. Almost 200 Mayors in the wheat-growing region of Eure-et-Loire resigned at the beginning of October, while farmers threatened a taxpayers' strike if the price did not rise at least to the cost of production. They asked for more drastic measures than those taken by the government, which consisted only in storing 22,000,000 bushels of this year's crop—an exceptionally good one. But the farmers' campaign for better prices comes at a time when consumers are demanding reductions in the cost of living and when those manufacturers and business men who have formed the association known as the *Comité du Salut Economique* are pleading for relief from taxation by the reduction both of the number of public officials and of the salaries they receive.

In contrast to these lamentations, a word of optimism was spoken by M. Herriot in a speech delivered at Poitiers on Oct. 30. He discovered signs of recession of the crisis in the decline of unemployment and in the increase of transport and trade, as well as in the general index of industrial production, which had increased for the first time in two years.

### *SENATORIAL ELECTIONS*

The French Senatorial elections of Oct. 16 did not materially change the composition of the upper house. In the first place, the contest for 111 seats was held in only thirty-two Departments, as the Constitution provides that only one-third of the Senate's membership shall be renewed at each election. Moreover, the Senatorial elections are rarely marked by a serious shifting of parties, since the electorate is made up of a relatively small body of voters, all seasoned politicians, such as Deputies, Mayors, and the delegates of municipal, district and departmental councils. The election takes place on a Sunday in the chief city of each Department, whither all voters have to repair. There can be only three ballots, the last one giving the election to the candidate having a plurality, while a majority is required for election on the first two ballots.

The swing to the Left, so marked in Chamber elections of last May, was less marked in these elections. The principal reason is that the majority of the Senate already belonged to the Left; the group corresponding to the Radical Socialists of the Chamber, the Democratic Left, counted 152 of the 314 members of the Senate. This group was increased by four, while the other radical group gained two seats, the Moderates losing four, the Monarchists one and the Socialists one.

A curious change has taken place in this assembly during the last thirty years. Created by the Constitution of

1875 as a stabilizing and conservative body, attacked in former years by the Radical Socialists as an obstacle to progress, the French Senate has gradually been going more and more to the Left, so that today, in addition to the 155 Radical Socialists, it numbers 37 Republican Radicals and 17 Socialists. Nevertheless, the age of its members—all Senators must be at least 40—the nine-year term, and the fact that most Senators have had experience either in the Chamber of Deputies or in departmental assemblies give it a certain independence and steadiness that contrast with the mercurial and sometimes immature temper of the Chamber, which is elected by direct, universal suffrage.

Nearly all the leading Senators who were up for re-election were returned. Among them were ex-President Poincaré, who has represented his Department of the Meuse for over forty years; Paul-Boncour, whose prestige and peace policies won him a brilliant victory in his new constituency of Loire-et-Cher, and M. Gardey, the Minister of Agriculture, elected in Gers. Among the defeated candidates appears M. Marraud, a member of the Tardieu Cabinet.

A scandal such as enlivens at intervals the French political scene caused a stir at the beginning of October. M. Bouilloux-Lafont, a man of political prominence, head of the aviation company, the Aéropostale, accused a member of the Air Ministry and another person of having accepted money to conspire in helping two foreign countries to supersede the Aéropostale services in South America. It soon appeared that this accusation was based on forged documents sold to M. Bouilloux-Lafont by an adventurer with a criminal record. On the other hand, it appeared in the course of the inquiry that the Aéropostale had been guilty of falsifying its balance sheets, and both M. Bouilloux-Lafont and his son were indicted. The case excited great interest on account of the blackmailing intrigues that it revealed and becaus of the personalities involved.

*BELGIAN POLITICAL CHANGES*

The economic crisis has had tw serious effects on Belgian politics The first was seen in the municipa elections, in which the serious discon tent with the financial and economi policy of the government was reg istered by important gains for the op position. Then the Cabinet, divided a to the best policy to follow, resigne and was replaced by another coalitio Cabinet, which dissolved the Parlia ment.

The municipal elections, hel throughout the country on Oct. showed a decided trend toward th Left. The Socialists gained contr of the local assemblies in sixty towr and communes in addition to those i which they already had a majorit Their success was especially marke in Hainaut, where, in spite of th recent strikes, they held the Commu nists in check. In other cities they too seats from the Catholics and Liberal The Catholics likewise scored son gains. While maintaining their hol on the country districts, they showe progress in such important centres a Antwerp, Liége and Ghent but lo control in Bruges and Tournay. Th extreme Flemish Catholics made gair in Limbourg, while the conservati Catholics maintained their position i Flanders. The Liberals were th heaviest losers. In Antwerp they lo 6,000 votes and in Liége they were de feated by the Nationalists. Only i Brussels, where they re-elected Burg master Max, were they successful.

All the communal assemblies of Be gium were subject to re-election. Th suffrage is both universal and com pulsory, and the electorate was com posed of 2,512,796 men and 2,655,60 women. The policy of the quota which was held to be responsible fo the rise in the cost of living, seeme to be the principal cause of disconten

The results of the municipal ele tions led to a serious rift within th Cabinet. The Liberal members co

tended that the plan of financial readjustment devised by M. Renkin was inadequate to meet the situation and, moreover, that with the Parliament as now constituted, no financial scheme could succeed. The Catholic members held the opposite view, and this controversy caused M. Renkin to hand his resignation to the King on Oct. 18. A new coalition Cabinet was formed on Oct. 22 under the presidency of a veteran Belgian statesman, M. de Broqueville, who was one of the leading figures in his country during the war. The new Cabinet was considered a stopgap Ministry whose main job would be to dissolve Parliament and prepare for new elections. It is composed of both Liberals and Catholics and is made up of men of prominence in Belgian politics. Four members, including M. de Broqueville, are former Premiers—Theunis, Minister of War; Henri Jaspar, Minister of Finance, and Paul Hymans, Minister of Foreign Affairs. A special treasury committee, presided over by Emile Francqui, who refused the Finance portfolio, has been created to handle the budgetary problem. The first act of the new Ministry was to dissolve Parliament on Oct. 25 and call new elections for Nov. 27.

# Germany Again Goes to the Polls

*By* SIDNEY B. FAY

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ON Nov. 6 the German people once again went to the polls to elect a Reichstag, and once again the voting failed to be conclusive. No party was able to obtain enough seats to control the Reichstag, nor will it be possible to bring about any coalition of parties which can control the German Parliament. As a result, the real victor is the von Papen Cabinet, which can be expected to continue its rule without Parliamentary restrictions, since President von Hindenburg insists that the membership of the Reichstag must be such as to insure the carrying out of definite policies before he will dismiss the von Papen Cabinet.

Preliminary results of the elections showed that the National Socialists had lost about 2,000,000 of the votes which they polled in the election of July 31, and with this decline went the loss of thirty-five seats in the Reichstag. The Communists, on the other hand, gained about 700,000 votes and eleven seats. On the day after the election the figures of the voting compared to the poll of July were approximately as follows:

| | Nov. 6 | July 31 |
|---|---|---|
| National Socialists | 11,713,000 | 13,732,779 |
| Nationalists | 2,952,000 | 2,172,941 |
| Centrists | 4,228,000 | 4,586,501 |
| Bavarian People's | 1,080,000 | 1,190,453 |
| Socialists | 7,234,000 | 7,951,245 |
| Communists | 5,973,000 | 5,278 094 |
| Scattered | 2,230,000 | 1,933,266 |
| Total | 35,410,000 | 36,845,279 |

These returns indicated the following distribution of seats among the parties in the new Reichstag:

| | New | Old | Change |
|---|---|---|---|
| National Socialists | 195 | 230 | — 35 |
| Socialists | 121 | 133 | — 12 |
| Communists | 100 | 89 | + 11 |
| Centrists | 70 | 75 | — 5 |
| Bavarian People's | 18 | 22 | — 4 |
| Nationalists | 50 | 37 | + 13 |
| People's Party | 11 | 7 | + 4 |
| Democrats | 2 | 4 | — 2 |
| Christian Socialists | 4 | 4 | .. |
| Scattering | 4 | 7 | — 3 |
| Total | 575 | 608 | — 33 |

As was generally anticipated the total vote in the November election was smaller than in that of July. There was a general feeling that after the dissolution of the last Reichstag

on Sept. 12 the same fate probably awaited the next Legislature if it refused to approve von Papen's policies. There were also less excitement and fewer mass meetings in the October election campaign than in July. All the parties, and especially the Communists and the Hitlerites, suffered severely from lack of campaign funds. In fact, the latter resorted to the solicitation of contributions by their uniformed adherents on the streets of large cities. One of the noteworthy differences in the two campaigns was the fact that last July the main attack of the National Socialists was directed against the Communists, but in October their oratory and their cudgels were turned chiefly against their late friends, the Hugenberg Nationalists, who generally supported the von Papen government.

It was also generally anticipated that Hitler's National Socialists would hardly come up to the level of their past gains; some of the reasons for this were indicated in CURRENT HISTORY for November (pages 223-5). The Communists, on the other hand, had been counted upon to roll up a larger vote, drawing away some strength from the radical workingmen's wing of the Hitlerites. Even with some shifting of power between the different political parties, no one expected any such fundamental change as would give von Papen any kind of a working majority. He might even have a coherent majority against him, if the Catholic Centre could reach an agreement with the National Socialists, a combination about which there have been many rumors but which at present appears to be doubtful of realization.

The new Reichstag will presumably reconvene during the first week of December, since according to the Constitution it must be called together within thirty days of the general election. It is expected that Chancellor von Papen will then present to it his new program for constitutional reform. If the Reichstag should reject it or should try to oust him and his Cabinet from power, his obvious move would be to dissolve it again and call for another general election in February.

## *VON PAPEN'S CONTROL OVER PRUSSIA*

The German Supreme Court at Leipzig on Oct. 25 handed down its eagerly awaited decision in regard to the legality of the action of President von Hindenburg and Chancellor von Papen in appointing Federal Commissioners to administer Prussia in place of the regular Prussian Cabinet. The decision was a complicated one and upheld in part the contentions of both the Federal and the Prussian authorities. Although Chief Justice Bumke declared at the beginning of the trial that it was not the court's business to rule on whether the Federal Government's action had been politically expedient or beneficial, but only whether it was lawful, the court's verdict was necessarily based in part on an adjudication of the political situation which led the government to interfere in Prussia.

The case arose from the von Papen Cabinet's ousting the Social Democratic Braun-Severing Cabinet in Prussia on July 20 and appointing a Federal Commissioner in its place. It involved the momentous constitutional questions of State rights as against Federal authority, and the scope and limitations of the famous emergency Article 48 of the Federal Constitution. The first two paragraphs of this are as follows:

> If any State does not perform the duties imposed upon it by the Constitution or by Federal laws, the Federal President may hold it to the performance thereof by force of arms.
>
> If public safety and order in the German Republic is materially disturbed or endangered, the Federal President may take the necessary measures to restore public safety and order, and, if necessary, to intervene by force of arms. To this end he may temporarily suspend, in whole or in part, the fundamental rights [guaranteed in other clauses of the Constitution].

The ousted Prussian Ministers brought suit in the Supreme Court to recover the offices of which, as they claimed, they had been unlawfully deprived. They were supported by the governments of Baden and Bavaria, which were interested in securing a decision for the preservation of States' rights, about which they have always been very sensitive. Although the Federal Government was the defendant in the case, it was not being sued in the person of its head, the President, but in the persons of its Chancellor and his Cabinet as the body responsible under the German Constitution for the President's acts.

Counsel for von Papen contended that both clauses of Article 48 justified his action, that the Prussian Government had grossly violated its Federal obligations, that civil war was imminent and that Premier Braun and Minister of Interior Severing, bound at the time by the Social Democratic party's effort to get the Communists to line up with them, were unable, and even unwilling, to take adequate preventive measures. It is true, of course, that there were at this time, shortly before the Reichstag election of July 31, numerous political murders and disorders which the Prussian police seemed unable to prevent.

Counsel for Prussia, on the other hand, contended that the first paragraph of Article 48 had no application under the circumstances, that they had not been guilty of any dereliction of duty, that they had not been warned by the Federal Government, but had been ousted by a surprise measure. As to the second paragraph, though admitting that there had been murders and disorders, they denied that public safety and order had been materially endangered; they asserted that law and order were as safe in their hands as in other parts of Germany, and that the Federal Government's action was actuated only by a desire to get rid of Prussia's Social Democratic Ministers and replace them by men subservient to von Papen's policies.

Inevitably the arguments on the legal aspects of the matters in controversy were inextricably interwined with contradictory allegations concerning the facts and the motives behind the acts of the von Papen Cabinet.

The court's decision may be summarized as follows: The Chancellor's action in suspending the Prussian Cabinet and appointing a Federal Commissioner and deputy commissioners to administer Prussia was sustained as constitutional under Article 48; the court found that there was such danger to law and order in Prussia on July 20 as to justify President von Hindenburg's and von Papen's intervention. Their suspension of the Prussian Cabinet, however, was constitutionally valid only as a temporary measure. Moreover, the suspension should deprive the Prussian Ministers only of the exercise of their administrative functions, but not of their right to represent Prussia in the Federal Council, the Reichstag, the Prussian Diet and in Prussia's relations with the other States of the German Reich. Therefore Premier Braun and his colleagues still constituted Prussia's State Government. The government of von Papen's Federal Commissioner and his deputies was constitutionally valid only in the field of administration.

The court did not find any evidence to support von Papen's contention that the ousted Prussian officials had been guilty of any dereliction of duty toward the Reich; that is, the court held that the first paragraph of Article 48 was not applicable to the case. The court declined to define the scope and to specify the limitations of Article 48, as had been demanded by Prussia and the co-plaintiffs, Bavaria and Baden, with the exception that it held that the article could not bar a member State's representation in the Federal Council and Reichstag.

The decision was hailed by both

sides as a victory and justification, but was in fact a disappointment to both.

The Braun-Severing Cabinet held a session and issued a declaration that the court's decision "established an authoritative base for the disentanglement of the situation." Later, in a press statement, Premier Braun laid more stress on the tangle. "It will be difficult," he said, "to discriminate in practice between the official functions appertaining to the Federal Commissioner and the rights of State sovereignty which is for us to look after. To reach an adjustment will take very much good-will and the greatest objectivity." He asserted his readiness to cooperate with the Federal Government in loyal execution of the court's verdict. He did not impute ill will to the Federal Government and was willing to take it for granted that the latter wanted to find a solution of the confused situation in accordance with the court's decision. It did not become the Federal Government, however, Premier Braun added, to complain of the confusion, because it had itself caused it by its sudden and forcible procedure against the Prussian Ministry.

Von Papen likewise issued a declaration saying that the court's decision fully justified his action of July 20. He did not claim to exercise sovereignty in Prussia or to represent her in the Prussian Diet, the Federal Council or the Reichstag. But he was evidently determined to have his commissioners continue to exercise their administrative functions in Prussia to the fullest extent. With the army of the Reich at his back and with his administrative commissioners he actually has the substance of power in Prussia in his hands. He has continued to go forward in his practice of replacing officials formerly appointed by the Prussian Cabinet with administrative officials of his own. On Oct. 31 he even went a step further in the direction of merging the Prussian State administration with the Federal Government by appointing Edler von Braun, Federal Minister of Agriculture, to administer the Prussian Ministry of Agriculture; Professor H. J. Popitz, formerly Federal Under-Secretary of the Treasury, to administer the Prussian Finance Ministry; and Professor Wilhelm Kaehler of Greifswald University to conduct the Prussian Ministry of Education. In addition, President von Hindenburg appointed Professor Popitz and Hans Bracht, who is von Papen's chief Federal Commissioner of Prussia, as Federal Ministers without portfolio in the von Papen Federal Cabinet.

These steps toward merging the Prussian and Federal bureaus, which have long had a dual existence side by side in Berlin, are in the direction of a constitutional reform and economic simplification of administration which has long been desired by many in the interests of efficiency, but which will hardly be palatable to Prussian officials or to the Social Democratic party, which has been one of the strongest forces in Prussia.

### *VON PAPEN'S SPEECHES*

Chancellor von Papen was second only to Hitler in the zeal and frequency with which he made speeches before the Reichstag election of Nov. 6. In a sense these were campaign speeches, but he can hardly have hoped to win a majority or even the support of enough other parties to give him a majority in the new Reichstag. His speeches are rather to be regarded as an effort to set forth his program of economic and political reform and to rally to it (and to President von Hindenburg and his Cabinet) the support of the mass of the German people as distinct from their divisions into small and mutually hostile political parties. He has been attempting to develop his idea of the "authoritarian State" with its "Presidential Cabinet," representing efficiency of the ablest talents and standing "neutral" above existing political parties.

As a forensic speaker von Papen

has met with a success which has been a general surprise. He is regarded as the best dressed, the most polished and the most optimistic politician in the face of grave dangers since Prince von Buelow. Parliamentary veterans who can recall the last half dozen Imperial Chancellors and who have listened to the score who have come and gone under the Republic are quoted as declaring that von Papen is not only the most forceful debater of them all, but that his speeches have an eloquence and a statesmanlike quality, heretofore rarely encountered in or outside the Reichstag. As he has taken the radio under Federal control he has a virtual monopoly of using that instrument to reach the masses of the people. His sharp staccato delivery is well suited to the microphone and makes his speeches on the air especially effective.

In an address at Munich on Oct. 12 before a representative assembly of Bavarian industrialists von Papen entered territory which was naturally unsympathetic, but ended by winning considerable enthusiasm and support from his hearers. Hinting at some of the constitutional reforms which he was said to be elaborating in secret to lay before the new Reichstag, he declared that governing by emergency Article 48 must come to an end, but this could be accomplished only if the Constitution were remodeled along authoritarian lines with a Federal Government standing "like a rock" high above parliamentary parties: "The relation between the government and the people's representatives must be so regulated that the power of the State is wielded by the government and not by the Reichstag. There must be a strong upper house as a check on the one-sided Reichstag legislation determined by party interests."

Only institutions capable of constructive work, von Papen declared, were fit to live. Pointing out that the fathers of the Weimar Constitution had not assigned the people's representation to the Reichstag alone, but "in the office of the President of the Reich created an organ at once authoritarian and democratic," he added: "Their handiwork lies today in the President's hands, and the German people is fortunate in having a President in whose venerable person the vital forces of our past combine with true forward-looking leadership. He is the refuge of all there is of confidence in Germany." Von Papen's closing words, "With Hindenburg for a new Germany!" brought his audience to its feet cheering as no Chancellor before had been cheered in particularist Bavaria.

In a speech in Berlin on Oct. 24, he emphatically denied that the restoration of the monarchy was an issue in Germany. This question, he said, had been injected into the election campaign as a smoke screen to confuse the people at home; it had been adroitly picked up by the press abroad in an effort to prove that, with such a danger threatening to plunge Europe anew into danger, the shackles of the Versailles Treaty must be drawn tighter instead of being loosened. His Cabinet was determined to proceed with constitutional reform to suit Germany's economic and political needs, but there was no question of restoring the monarchy. [On this point see Ludwig Lore's article on pages 288-294 of this magazine].

The Chancellor's utterances and those of his colleagues on the subject of economic policy were less satisfactory and were subjected to much criticism in the press. Evidently there was not complete harmony in the Cabinet. The industrial and agrarian interests were in conflict. This was most manifest in the criticism of the government's attempt to benefit agriculture by its policy of fixing limited quotas for the importation of agricultural products. The purpose was to cut down imports and thus preserve as large a surplus of exports over imports as possible in order to have foreign exchange for meeting the interest on the foreign debt. But the effect was, at

least so it was stated by the industrialist press, to antagonize foreigners who retaliate against the export of German manufactures. How far this was true remained to be seen from the trade statistics yet to be published.

### *GOETHE MEDAL FOR HERRIOT*

The presentation of the Goethe Centenary Medal to Premier Herriot in Paris on Oct. 19 by Dr. von Hoesch, the retiring German Ambassador, caused a great deal of astonishment in Germany and much unfavorable criticism in the fiery Nationalist press. The much-coveted medal was awarded by President von Hindenburg to the French Premier for his writings on Goethe and Beethoven, and might well have been welcomed on the German side of the Rhine as a graceful recognition of a leading Frenchman's appreciation of German culture. But such a Nationalist paper as the *Boersenzeitung* remarked: "Whoever may be responsible for this curious act of courtesy, nationally minded Germany has precious little understanding of such a gesture at this most inappropriate time. That M. Herriot takes a literary interest in Goethe is commendable, but it does not alter the fact that this Radical Socialist is a far more dangerous enemy of Germany than the most fervid avowed French chauvinist."

### *BERLIN TRANSIT STRIKE*

Berlin's street car, bus and subway services were paralyzed on Nov. 3 by an unauthorized strike of the employes of the Municipal Transit Company. The motion to strike, caused by a three-cent reduction in the daily wage, failed to receive the two-thirds majority necessary to get trade union sanction, but Communist and National Socialist agitators cooperated to organize a walkout. An arbitration committee decided that the reduction in wages was legally binding and the government sustained its decision. Picketing was prohibited, two Communist newspapers were suppressed for ten days, and the employes were warned to return to their work under penalty of dismissal. The trade unions appealed to their members to return to their jobs, but only 1,500 of the 21,000 employes did so within the time limit. On Nov. 4 rioting increased. Three persons were killed and many more were wounded or injured in clashes with the police. It appears that the employes took almost no part in the rioting, which was led by young Communists and National Socialists whose parties oppose the Socialist trade unions.

### *AUSTRIAN NAZI DISORDERS*

Austria, in addition to her financial and economic troubles, has been increasingly troubled with disorders arising from Hitler's followers. On Oct. 16 a group of uniformed Hitlerites on leaving a train at Simmering attempted to march through a small side street past the headquarters of the local Socialists. As usual the stories conflict as to whether the trouble began with the Hitlerites throwing stones through the windows of the Socialist building, or whether the Socialists felt provoked by the demonstration of hostile marchers to open fire into the street. As a result of the brawl that took place, a policeman, a National Socialist and another man were killed, and thirty Hitlerites and five policemen were seriously wounded. From Simmering the ill-feeling spread to Vienna, where serious fighting broke out in the university. Hitlerite students, with shouts of "Revenge for Simmering," used knives and clubs in an attack on the Jewish students, many of whom were severely wounded. Classes had to be suspended, and when they were resumed a few days later further student rioting took place, in which three Americans were slightly wounded. The Chancellor expressed his regrets to the American Minister, and the rector of the university took steps to see that there should be no further violation of the courtesy due to foreign students.

# Italy's Ten Years of Fascism

*By* WILLIAM E. LINGELBACH
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OVERSHADOWING everything else in Italy during October was the celebration of the tenth anniversary of Fascist rule. Beginning on Oct. 16 with a great mass meeting of 25,000 Fascist leaders from every section of Italy in commemoration of the meeting in Milan ten years ago, it reached a climax on Oct. 28, the anniversary of the march on Rome by the Black Shirts. Mussolini addressed huge crowds on both occasions. Referring to the martyrs of the Fascist cause—to whom a votive chapel was later dedicated—he quoted from a martyrological calendar of the men to the effect that "when a faith has been and is consecrated by the crimson blood of its youth, it cannot fail and will not die."

Open-air speeches, a world-wide radio broadcast, editorials and news articles in the press, military reviews, parades of Fascist organizations, the completion and dedication of public works and the inauguration of new ones, the public reading of the Duce's message in every town in Italy followed by martial music and the ringing of bells for half an hour at noon, featured this enthusiastic celebration of the tenth year of Fascist control. Particularly impressive was the radio address by Senator Marconi under the auspices of the Royal Academy of Italy, in which he pointed out how Italy under the leadership of Fascism was again assuming that majesty and splendor which characterized her in the days of Augustus. A marked feature of the celebration was the four-day tour by Mussolini of Northern Italy, where opposition to fascism has been strongest. On Oct. 23 Mussolini dedicated the colossal new Monteferrat Aqueduct and later at Milan inaugurated the motor road for trucks which is to connect Turin and Milan with the seaport of Genoa.

From the material standpoint, the progress of the nation during the decade of Fascist rule has been little short of phenomenal. Land reclamation on a colossal scale, accompanied by the expansion of agricultural credit and modern farming, magnificent highways from one end of the peninsula to the other, improved and modernized ports and harbors, cities rebuilt and modernized, historic remains skillfully and scientifically excavated and restored—all these things are outward and concrete evidence of the achievements to which Mussolini points with just pride. Particular emphasis was laid on the land reclamation program in connection with the inauguration of the Agricultural Exposition in Rome. Altogether 12,000,000 acres are being reclaimed or improved and on about 10,000,000 acres of mountain land reforestation is being carried out, while mountain streams are being dammed and brought under control to avoid floods and provide water for irrigation. More than $250,000,000 has been spent by the government on these measures in the past decade, quite apart from the large share collected from the landowners. As a result, malaria is being eliminated in the swampy regions, crops are being improved, the yield per acre greatly increased and a much-needed outlet provided for labor.

Unfortunately, Italian foreign trade for the first nine months of 1932 showed a decline in both imports and

exports, though the trade balance continues to improve. Unemployment is still a major problem, statistics for for the end of August showing a total of 946,000 out of work as against a minimum on July 1 of 905,000 and a maximum in February of 1,147,000. Next to the building trades, the agricultural group has the largest number of unemployed.

Greater even than the material progress has been the development throughout the nation of a sense of law and order, a spirit of work and accomplishment radically different from the attitude of *dolce far niente* so annoying to the Duce. Italy is no longer the easy-going nation of pre-war days. In his work, *La Nuova Politica dell' Italia,* Mussolini points out that the Fascist battle was "directed principally against a state of mind, a mentality of renunciation, a spirit always more ready to avoid than to accept responsibility." By many the ethical and moral triumph over this Italian inertia is regarded as the greatest achievement of fascism. On the other hand, Senator Morello sounds a discordant note in the paeans of praise in his book, *Il Conflitto dopo la Conciliazione,* which is already in its second edition within a month. It is a biting arraignment of the Vatican accord and of Mussolini's rôle in that compromise.

During the celebration the strength and character of the Fascist party was naturally much stressed. According to reports it was never stronger or more efficient. It annually draws about 250,000 new members from the *Fasci Giovanili di Combattimento,* or Young Fascists, organized two years ago as a link between the regular Fascisti and the juvenile *Avanguardisti.* Through these organizations the Fascists are today an all-embracing group with which even the women through their recent organization are being affiliated. No other party is permitted. The Duce is the undisputed head of the organization and virtual dictator with absolute power, not only in politics and foreign affairs but also in business, industry and local government. Political freedom in the usually accepted meaning of the term does not exist.

On his tour in the North, especially at Turin and Milan, Mussolini made a direct appeal to labor to join the Fascist party on the basis of its services to the working man. "No other country in Europe or America," he said, "does for the workers what fascism is doing for you." Standing beside a huge wooden anvil, this blacksmith's son spoke of his concern for them.

Speaking on international affairs to nearly 500,000 people at Turin, the Duce in an eloquent appeal urged the United States to reduce war debts. As to the League of Nations, he said Italy would not withdraw despite her impatience with the inaction at Geneva. With the German demand for the right to equality in armaments he announced his agreement, again covertly accusing France of blocking disarmament. Later, at Milan, he spoke of his intention of freeing political prisoners, but warned his opponents that his decision was dictated by clemency and not by fear. "Fascism," he said, "was destined to remain for a century" and would in ten years spread throughout Europe. It was entering the second decade of its history much stronger than it did the first and would, he declared, "require additional exertions and sacrifices." "We confront new tasks together with an added sense of our responsibility. Remembrance of former trials reverberate in our hearts as an impulse toward the future."

In October CURRENT HISTORY Gaetano Salvemini contributed under the title "The March on Rome: Revised Version," an account of the activities attendant upon the Fascist seizure of power ten years ago. In that article he described the events on the eve of the March on Rome and in particular Mussolini's negotiations by telephone with Antonio Salandra for seats in the Cabinet which Salandra was try-

ing to form. These negotiations were cut short, according to Mr. Salvemini, when Aldo Finzi, a friend of Mussolini, took the telephone receiver from Mussolini's hand and declared "to Salandra that he must make way for Mussolini." In a cable from Rome to the editor of CURRENT HISTORY on Oct. 25, Signor Finzi categorically denied having played such a rôle in Mussolini's rise to power.

*CATALAN AUTONOMY*

Catalan affairs continued to occupy the attention of Spain during October. Having attained home rule, the Catalans promptly set about organizing their regional government as provided in the Statute. Since the new arrangements involve extensive readjustments in the relations with the national government at Madrid, particularly in the matter of taxes, it is important that they be fully developed by the end of the year so as to enable the Madrid Government to take account of them in the national budget. The task involves, first, the appointment of mixed commissions to arrange for the different services to be rendered by the regional government and by the State, respectively, and second, the working out of an administrative basis for the election of the Catalan Assembly or Generalidad, which will in turn elect the President of Catalonia. Before this can be done a new election law has to be enacted. Owing to the preponderance of Barcelona with its 1,000,000 population in a total of 2,500,000, it is proposed to secure a balanced representation by giving twenty Deputies to each of the provinces—Gerona, Tarragona, Lerida and Barcelona—and twenty-five to the city of Barcelona proper. Again, the fear of the radicalism of Barcelona's labor population appears and the proposed electoral plan is frankly a device to maintain the balance in favor of moderation.

More important than this, however, are the issues over which the forthcoming elections will be fought. Conspicuous among them is the vexed question of independence versus autonomy, or at least greater autonomy than is provided in the Statute. Already the Left Republican party of President Macia has taken its stand for the extension of the powers of the Catalan Government and a demand for broader freedom, thus confirming the fears of many that the granting of the Catalan Statute was only the first step toward the creation of a separate State of Catalonia as a part of a federal system. Opposed to the Left Republicans is the Regional League, the oldest of the Catalan parties, representing the bourgeois and aristocratic elements. Popularly known as the "Lliga," it agitated for autonomy under the monarchy and, according to its influential organ, *La Veu de Catalonia,* the oldest of the dailies, is now content with home rule under the republic.

At Madrid attention was focused on the Cortes, where the relations between church and State, more particularly the regulation of the religious orders, were again under consideration. Under Article XXVI of the Constitution, "religious orders the rule of which requires in addition to the three canonical vows, a special vow of obedience to an authority other than that of the State, are declared dissolved. * * * Other religious orders shall be considered as associations subject to special laws." To the expulsion of the Jesuits and the seizure of church property valued at over $500,000,000, there is now added an association law more drastic than the similar French law of 1902. The State reserves the right to approve or disapprove the appointment of heads of the orders, who must all be Spanish and submit to the national laws. The orders are forbidden to engage in industry or to teach anything but religion, the Minister of Instruction taking over all secular education. Drastic as the provisions are, the Papal Nuncio, Mgr. Tedeschini, supported by the Pope, advises strongly against open

resistance, preferring that the orders should appear as victims of persecution. The other matter of interest in the Cortes was the anouncement of the program of the Socialist group. Upon the establishment of the republic and the election of the Cortes, the Socialists, after some hesitation, decided to cooperate with the government. Three of their members entered the Cabinet and contributed much toward pacifying the warring factions. They now claim that by working from within and through the government, they have been able to push forward their policies and secure the adoption of much of their program. On the other hand, the Nationalist Socialist Congress, meeting in Madrid on Oct. 9, insisted upon a more vigorous promotion of the party's anti-capitalist program in the matter of income taxation and of the workers' intervention in business. Thus far the coalition has refused to endorse either, although a mild new tax on incomes above 100,000 pesetas, roughly $8,000, was proposed in the budget submitted on Oct. 14 by Don Jaime Carner, Minister of Finance.

The budget reflects the extraordinary extension of government activities and the vast educational and economic reform projects of the Cortes. The figures are higher than any ever presented in Spain, with expenditures of 4,710,000,000 pesetas (the peseta is now quoted at about 8 cents), against revenues of 4,140,000,000, showing a deficit of 570,000,000. To meet the deficit a new issue of Treasury bills is proposed.

Sharp criticism of the government's policy toward the press was evoked by the invitation of Señorita de Palencia, a distinguished representative from Spain at the World Press Conference in Geneva, to hold the next congress in Madrid. Attention is called to the fact that more than 100 newspapers of one kind or another have been suspended and that the new régime does not even trouble with censorship, for it simply suppresses, exceeding in this respect the arbitrary policies of the monarchist dictatorship.

Much speculation arose over the visit on Oct. 31 of the French Premier Herriot and the bestowal of the Grand Cross of the Legion of Honor on President Zamora. Although officially denied, competent observers believe the real purpose is to prepare the way for a new alliance. Ever since the establishment of the republic the leaders of the coalition government have been in close touch with France and a good deal of its progress has closely followed French precedent. Hence, while Foreign Minister Luis de Zulueta declared M. Herriot's visit only one of friendship, he also added that "an entente between France and Spain would be desirable." The openly expressed fears of the Socialists that the republic will be in some way committed to the imperialistic policy of the "capitalist French republic" is attracting much attention. Student demonstrations in protest on Nov. 1 assumed considerable proportions. From the French standpoint an entente would be advantageous both in Morocco and in the Mediterranean.

### *PORTUGUESE CURRENCY*

Portugal, on Oct. 25, finally stabilized the escudo at thirty-three to the dollar "regardless of any further depreciation of the pound sterling." When England went off the gold standard Portuguese industrial and commercial institutions were much embarrassed because English capital has for centuries been the backbone of Portuguese development in public utilities as well as in business generally. Since the price of cork has fallen to the lowest point in the history of the industry, the government, on the recommendation of the International Corkwood Conference, meeting in Lisbon during October, is planning to adopt measures obliging owners to strip the cork only every tenth rather than every ninth year, as is now often done. In this way it is hoped to regulate production and prices.

# Rumania's Cabinet Crisis

*By* FREDERIC A. OGG
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A MONTH of exceptionally fervid politics, even for Rumania, opened with the abrupt resignation of Nicholas Titulescu on Sept. 26 as Ambassador to Great Britain and as president of the permanent Rumanian delegation to the League of Nations. Under pressure from France, Premier Vaida-Voivode's government was proposing to proceed with the long-talked-of non-aggression pact with the Soviet Union, paralleling that recently signed by Poland. On the ground that such an agreement had been rendered unnecessary by the Kellogg-Briand anti-war pact and, further, that as envisaged by Premier Vaida-Voivode it would jeopardize legitimate Rumanian interests, M. Titulescu opposed it. When he discovered that his attitude on the subject was not to prevail he gave the government to understand that he could no longer serve it in any of his existing capacities.

In view of what appeared a fundamental disagreement, considerable surprise was occasioned when on Oct. 9 Premier Vaida-Voivode made public the fact that the ex-Ambassador had been offered the post of Foreign Minister—on the theory, so it was frankly avowed, that since the government felt unable to make decisions without Titulescu's approval, the only feasible course was to give him the Foreign portfolio, with all its responsibilities. The post was accepted, and Titulescu, pausing in Paris for conferences with Premier Herriot, journeyed from London to Bucharest. On arriving there he found that the Premier had in no wise given up the plan for a Russian non-aggression pact and that, accordingly, he was no more in agreement with the government than before. The efforts of King Carol to avert a Cabinet crisis by compromise proved unavailing. The Premier could not be swerved from his position; no more could M. Titulescu, with whom a number of the Ministers, including Jon Mihalache, Minister of the Interior and leader of the National Peasant party, now agreed; and the upshot was that when, on Oct. 16, Mihalache resigned, carrying with him the support of a large section of his party, the Premier likewise handed in his own resignation.

On the advice of Mihalache and others, King Carol invited ex-Premier Julius Maniu to form a government, with Titulescu as Foreign Minister. The one-time conqueror of the "invincible" Bratianu dynasty at first demurred, on the ground that the time was not yet ripe for him to reappear at the head of a Cabinet, but at length assented. On Oct. 20 the new Ministry was announced. Save for the posts of Premier, Foreign Minister, Minister of Trade and Minister for Transylvania, the new government was identical with the preceding one. M. Titulescu, of course, became Foreign Minister. There were reasons for believing that he and Dr. Maniu found some difficulty in composing certain differences of view on foreign policy. In a statement on Oct. 21 the Premier, however, indicated that, while he hoped that a non-aggression pact with the Soviet Union would soon be concluded, he would not countenance any such agreement that placed Rumania in a worse position than it enjoyed after the Kellogg-Briand pact was

signed. This meant, among other things, that the proposed pact should make no reference to the Bessarabian question, a matter on which M. Titulescu had felt strongly. (See Robert Machray's article, "Europe's Anti-Soviet Barrier," on pages 314-318 of this magazine.)

### *AFTERMATH OF GREEK ELECTIONS*

The Greek elections of Sept. 25 deprived Premier Venizelos of his majority and increased the Royalist representation in the Chamber almost fivefold. They did not, however, give the Royalists that clear majority which the Premier had declared would be countered by armed force. Succeeding weeks were filled with efforts to stabilize the situation on the basis of some form of amicable relationship among political elements of sufficient strength to give the government support. As a first step President Zaimis, on Oct. 1, announced that the Royalist leader, Panayoti Tsaldaris, had repeated in writing his recent assurances that his party would unconditionally respect the republican constitution. On the following day it became known that the Military League, formed ostensibly to safeguard the republic, had been dissolved.

A third step—the formation of a coalition Cabinet — was, however, found more difficult. On Oct. 10 President Zaimis appealed to all parties except the Communists to participate in a coalition as the only means of solving the financial crisis at home and inspiring confidence abroad. Premier Venizelos, on the following day, replied that he and his party would support the plan, though he would not expect to be a member of the new Cabinet. Five days later he promised that if a coalition were found impossible he would resign when Parliament met, and would even support a government formed by M. Tsaldaris, on condition that the Royalist first clearly stated his program for dealing with the economic crisis. Otherwise, he said, the only solution would be another election. At the close of the month the outcome was still in doubt.

### *THE PILSUDSKI DICTATORSHIP*

An announcement that Marshal Pilsudski, under advice of his physician, was planning to spend the Fall and Winter in Egypt or Madeira inspired a rumor in October that the 65-year-old stormy petrel of Polish politics was about to retire from active life. Actually, he has been in semi-retirement since the Parliamentary elections of 1930, rarely appearing at the War Office, of which he is nominal head, or at Cabinet meetings. The Premier and other Ministers, however, report to him at his Warsaw home, where he also receives foreign visitors.

General von Schleicher's demand for German armament equality is considered in Poland as direct preparation for a war of revenge with Poland over the Corridor. The Polish Government and people show increasing zeal for good relations with Russia, presumably cemented by the non-agression pact signed a short time ago. The establishment of a demilitarized neutral zone on the Polish-Soviet frontier, similar to the Rhine zone, is advocated in influential circles. While regarded as highly useful, the French and Rumanian alliances are felt to be inadequate as guarantees against both Germany and Russia. In addition, confidence in the League is declining.

A new tariff law, under preparation for almost five years, was published on Oct. 10 and is to become effective one year from that date. It is a thoroughly protectionist measure, raising duties from 10 to 100 per cent on several articles imported from the United States, and laying imports on about 4,500 classifications of goods.

### *NEW HUNGARIAN REGIME*

With the active backing of Admiral Horthy and Count Bethlen, the new Hungarian Premier, General Julius Goemboes, launched his government during early October upon what prom-

ised to be an ambitious and vigorous course. Addressing a crowd of 50,000 at a demonstration on Oct. 8, which was organized by a number of nationalist societies, he declared that all classes in the country must obey every gesture made by him as their leader and summoned the nation to prepare for the day of its resurrection, the first condition of which was asserted to be the peaceful revision of the Treaty of Trianon. That liberalism and reform were to have their due was indicated, not only by a decree of Oct. 10 terminating the régime of martial law which had been in effect for over a year but also by announcement to the Chamber on the following day that the government would in the near future introduce nation-wide secret voting and freedom of the press. Whether this would be accompanied by full relaxation of restrictions on political liberty did not appear. The Premier, however, affirmed his adherence to the principle of religious toleration, stating frankly that he had given up his former anti-Semitic views and was now prepared to regard as his brothers those Jews who had shown heroism in the World War and sympathy toward the nation's difficulties.

### *BULGARIAN COMMUNIST SUCCESS*

In view of the well-known influence of political developments in the Bulgarian capital upon the attitude of the electorate throughout the country, considerable importance attaches to the victory won by the Communists in the municipal elections in Sofia on Sept. 25. Out of a total vote of 47,823, Communist candidates polled 16,104, the parties of the government coalition 10,738, the Tsankov and Stambulov groups 6,732 and fifteen minor parties—of which none won a seat—15,249. Under the working of a special franchise law devised by the government parties in their own interest and allotting to the strongest party more seats than its poll justifies in order to give it a working majority, the Communists came off with nineteen out of a total of thirty-five seats and the government bloc with only twelve. After the election it was thought probable that the results would be invalidated by the courts and that if this did not happen the government would accomplish the same result by legislative action in order to prevent the formation of a Red commune in the capital which might unleash a revolutionary movement that would be dangerous to the entire country.

### *CONTINUED YUGOSLAV UNREST*

Dispatches from Zagreb throughout the first half of October told of something like a state of guerrilla warfare against the Yugoslav Government in Southern Croatia. An official statement given to the press in Belgrade on Oct. 15 denied that there was any serious trouble, but there were reasons for believing that an insurgent movement of considerable proportions was under way. Roving insurrectionary bands known as the "Ustasi" were obviously enjoying the support of the rural population and apparently were in some instances armed and financed from Hungary and Bulgaria.

As an aid to unification of the Yugoslav State, Belgrade is interested in building up the Serbian Orthodox Church among the Catholic Slovenes and Serbs, and at a congress of the church at Karlovci in September and October a former Bishop of Nish, Dositelj, was appointed Metropolitan of Agram (Zagreb), capital of Croatia and Catholic for 1,000 years.

### *NEW CZECHOSLOVAK CABINET*

The Czechoslovak Cabinet of Premier Frantisek Udrzal, formed on Dec. 7, 1929, resigned on Oct. 21, primarily because of the Premier's illness, and was succeeded by a Ministry headed by Jan Malypetr, President of the Chamber of Deputies. Only four of the fifteen portfolios changed hands and the redistribution had no special political significance.

# Anglo-Scandinavian Trade

*By* SIDNEY HERTZBERG

GREAT BRITAIN has invited the Governments of Denmark, Norway and Sweden to conferences in London for the readjustment of trade agreements to conform with conditions created by the British Imperial Conference at Ottawa. It was expected that Finland would receive a similar invitation and that the conversations, which would be separate, would probably begin late in November. Considerable importance was attached to these negotiations in the Scandinavian countries, for Great Britain is the best customer of all of them and their economic well-being is in a large measure dependent upon their retention of this market.

Denmark's stake in particular is large. Great Britain purchased 67 per cent of all Danish exports in 1931. Eggs, bacon and butter, the three principal commodities which Great Britain buys from Denmark, have all been affected by Ottawa. In fact, the new duties and preferences on eggs are virtually prohibitive. If Great Britain were to abandon the most-favored-nation principle, Denmark would probably be forced to follow suit however she may dislike to do so. Her course would then be to make long-term preferential agreements with Great Britain and, if necessary, the Dominions, at the expense of the United States, France and Poland.

Norway may be counted upon to raise the strongest objections to giving up the most-favored-nation principle. She feels that preferential trade treaties would hurt the business of her great merchant marine consisting of more than 4,000,000 tons. Her delegation to London was expected to make much of the repair work done in British yards on Norwegian boats and of the British coal these vessels buy. Norway is hopeful of more favorable treatment because she is one of the few countries that buys more from than she sells to Great Britain. Furthermore, almost all Norwegian products entering Great Britain are dutiable, while approximately 75 per cent of the British goods bought in Norway enters free. Nearly all Norway's exports have been affected by the Ottawa agreements. However, the British market is so important to Norway that she would consider even sacrificing the most-favored-nation principle in order to keep it. This would be especially true if Norway could see in such a move the ultimate possibility of greater freedom of trade through preferential agreements involving low tariffs.

Great Britain in 1931 absorbed 26.5 per cent of all Swedish exports. At the same time only 14 per cent of Swedish imports were British. Before the war, Sweden bought 95 per cent of her coal from Great Britain. In 1931 the figure was about 25 per cent. The British hope to strengthen themselves in the Swedish market and the Swedes are not expected to offer much resistance. The growing restrictions on Swedish exports to Germany tended to make their delegation to London more receptive to British suggestions. Sweden's important exports did not suffer much from the Dominion preferences agreed upon at Ottawa; but real irritation was caused by the recommendation of the British Import Duties Advisory Board that the duty on wrapping paper be increased to 25 per cent.

The negotiations are complicated by the crisis in trade relations between the Scandinavian nations and Ger-

many. The Swedish situation has become particularly acute. The difficulties began when the von Papen Cabinet, on taking office, forced the cancellation of Germany's trade agreement with Sweden. More than 33 per cent of Sweden's total imports come from Germany. In view of the Reich's threat to include timber and farm products, two of Sweden's chief export items, in its proposed quota, there was a disposition in Sweden to turn to Great Britain for industrial products so far imported from Germany. On the other hand, the Swedes were anxious not to make any commitments that might embarrass them when the German Government should become more accommodating than it has been.

Germany's proposed quota arrangement on competitive imports would also affect exports of dairy products from Denmark, fish and timber from Norway and timber from Finland. Agricultural spokesmen in all these countries denounced Germany's favorable trade balance and opposed further purchases of German industrial products.

It is not unlikely that the nations of Northern Europe will find it advantageous to form some kind of a united front in their commercial dealings with Germany and Great Britain. An actual customs union is too much to expect because of the varied national interests. But resentment against Germany's attitude and the disquieting effect of Ottawa have been drawing them closer together.

### *CONDITIONS IN LITHUANIA*

A gloomy picture of Lithuania's economic status during the first half of this year was presented by the bulletin of the Bank of Lithuania for Aug. 29. The farmer's chronic difficulties were further intensified by the heavy rains which destroyed nearly 20 per cent of all important crops. As a result, the purchasing power of the rural population became well-nigh non-existent and industry suffered accordingly. Production fell in almost every line.

The value of exports during the first five months of 1932 declined from 115,264,100 litas ($11,526,000) to 81,292,100 litas ($8,129,200). Imports likewise fell from 114,028,100 litas ($11,402,800) to 64,393,900 ($6,439,300). Great Britain has dislodged Germany as Lithuania's best customer, by increasing the value of her purchases from 27.25 per cent to 41.55 per cent of Lithuania's total exports.

# Discord Among Soviet Leaders

*By* EDGAR S. FURNISS
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PERSISTENT rumors of discord in the higher Communist circles of Soviet Russia were confirmed early in October by the abrupt expulsion of a number of prominent members of the party. Among them were names famous in Bolshevist history—Zinoviev, Kamenev and Uglanov. Zinoviev was one of Lenin's chief assistants in the Bolshevist revolution; he became chairman of the Leningrad Soviet and of the Third International; he long held important posts in the Soviet Government. Kamenev, Trotsky's brother-in-law, also was in high positions in the government and in the party, having been chairman of the Central Executive Committee, chairman of the Moscow Soviet and Ambassador to Italy. Uglanov, who rose to prominence more recently, was identified chiefly with the Moscow So-

viet. With these leaders twenty-one less widely known members were ejected from the party. As the order of expulsion came from the central control committee of the Communist party, it may be interpreted as the work of Stalin and his close personal followers who dominate that organization.

It is significant that the leading members of the expelled group had previously been in difficulties with the Stalin leadership. After Lenin's death Zinoviev and Kamenev formed with Stalin the triumvirate that controlled the country. They followed Trotsky in his rebellion against Stalin and his attack upon the Five-Year Plan and were sent into exile at the time of Trotsky's downfall. Only upon humble confession of error and a promise of loyalty to Stalin were they readmitted to the party in 1927. Uglanov was identified at a later period with the Right Wing Opposition of the Bukharin-Tomsky-Rykov faction and, with the other members of this group, was severely disciplined by Stalin in 1929. His reinstatement to good favor also involved a pledge of loyalty to Stalin.

The Trotsky and the Rykov factions have represented heretofore diverse lines of attack on the Stalin régime—the Left and Right Wings, respectively—which have had little in common with each other. That their leaders should now be punished by a common sentence of expulsion indicates that distrust of the Stalin régime has induced formerly divergent sections of party opinion to sink their differences and unite their forces in opposition. Trotsky, it is well known, is laboring abroad to draw together under his own leadership the dissident factions of the foreign branches of the Communist party on a platform of enmity to Stalin, hoping to re-establish his influence first in the Third International and subsequently in the Soviet Union.

The official press of Russia has published rather vague accusations against the expelled group, charging them with "counter-revolutionary activity" in proposing abandonment of the collective farm experiment in favor of individual farming and a transfer of many of the new industrial enterprises from State to capitalist management. Their specific technical offense was the organization within the party of a wing opposed to the official line of policy and their attempt to promulgate their views through secret channels. According to Communist principles of party government, such practices are subversive.

The significance of the event to students of Soviet affairs, however, does not lie in these factitious considerations but in the revelation of weaknesses in the Five-Year Plan and the miscarriage of recent policies through which the Soviet Government has attempted to bolster up its program. The difficulties confronting the government in agriculture and the partial collapse of the new large-scale industries have encouraged open protests by those who, from the beginning of the Five-Year Plan, have had misgivings either as to its practicability or as to its theoretical consistency with Communist principles. The ruthlessness of the Stalin leadership within the party has made it inevitable that members differing with him in matters of policy should be forced to attack him personally. The resulting conflict within the party thus takes on the appearance of a struggle between ambitious leaders to capture the seat of power, but beneath these manoeuvrings of party factions lies widespread concern for the success of the program itself.

The views of the dissident party group were stated in a memorandum issued as an appeal to Russian Communists. This memorandum states emphatically that the Five-Year Plan has failed. The collective farm experiment has collapsed and the heads of the State farms and the collectives are now bitterly opposed to the party

leadership. The same is true of the new industries; they have been ruined by mismanagement. Stalin's wavering policies of last Summer are criticized caustically as a series of "manoeuvres and leaps forward and backward." His high-handedness is condemned as having "destroyed every vestige of democracy within the party," while of the formerly vital international movement "nothing but a shadow remains." Stalin is held personally responsible for these failures, and the party is reminded of Lenin's advice that "the leader who has been leading the party from failure to failure must be removed from his post." This, of course, is extravagant language, the language of bitter factional conflict, but it shows clearly that grave weaknesses exist in the situation within Russia which can be capitalized to the advantage of the opposition.

The real situation is not clear, but what facts are available bear out the assertion that the Five-Year Plan is falling short of its objectives. By mid-October the grain collections were so far behind schedule as to alarm the Soviet press. The chief grain areas were returning not much more than half their 1931 totals; the country was on limited food rations almost everywhere; and in wide areas the population was facing a Winter of privation at least as severe as last year's. The general situation in industry is not so serious. Official figures for all industry published on Oct. 26 show that less than half the increase scheduled for the year will be accomplished, though production is running somewhat ahead of 1931. In the light industries the failure to produce up to schedule is especially bad, since it is the scarcity of these goods which is the chief cause of the declining food deliveries from the farms. Much is made of individual achievements in the industrial field, such as the formal opening on Oct. 10 of the world's largest hydroelectric plant, the great Dnieper dam and power plant which will supply electricity to 16,000,000 people in an area of 70,000 square miles. But these dramatic events do not conceal the fact that the government is failing to provide its people with the essentials of life and is making little progress toward a solution of this fundamental problem. A five-day plenary session of Communist party leaders at the beginning of October failed to find means for improving the situation.

Until sufficient time has elapsed to permit the opposition to reassemble its forces it is impossible to appraise the importance of the split within the party. Stalin has won the first battle by driving his opponents out of the political arena. Outside the Communist party they cannot legally organize for political activity, since under the Soviet law all other political parties are outlawed. The non-Communist opposition is helpless unless it dares run counter to the law, for unorganized dissent is of no avail. The expelled group, if there is truth in their assertion that they represent the opinions of multitudes of people, may be willing to bear this risk, thus giving the country its first organized opposition since the brutal suppression of the kulaks three years ago. On the other hand, they may continue to foment dissension within the Communist party itself.

In every other country the Communist movement has split into several competing parties, each bearing the name "Communist," and this despite the adherence of all of them to a creed which demands unity and discipline as rigidly as in Russia. The emergence of an organized opposition in the Soviet Union, whether within the party or outside, would be an event of the greatest significance, surpassing in importance any conceivable procession of events in industry or agriculture. The future of the great social experiment under way in Russia depends not upon the outcome of any specific plan or program but upon the power of the rulers to maintain complete and unfaltering control over their followers and

**the people at large. It is for this reason** that such an occurrence as that which we have been discussing merits the close attention of students of Soviet affairs.

*SOVIET FOREIGN RELATIONS*

In the field of international relations the chief event of the month has been Great Britain's abrupt abrogation of her trade agreement with the Soviet Union. To those who followed the proceedings of the Imperial Conference at Ottawa last Summer this action was not unexpected. The Dominions, particularly Canada and Australia, made it clear at that time that they considered an embargo upon Soviet exports to Great Britain an indispensable first step toward any thoroughgoing system of imperial preference. Nevertheless, Sir John Simon's note of Oct. 18 informing the Kremlin of his government's denunciation of the treaty took the Soviet authorities by surprise. After a day or two of delay the official Soviet press broke into a storm of bitter protest. The action of the British Government was interpreted as the work of the same implacable enemies who precipitated the violent rupture in 1927; it was charged that secret agreements made at Ottawa contemplated open discrimination against the Soviet Union; there were threats of vigorous reprisal by the Soviet Government.

In announcements to the public and to Parliament high officials of the British Government have stated that their action implies no threat to the cordiality of Anglo-Soviet relations and no real injury to Russian trade. The present trade agreement, made in 1930, was by definition a temporary measure subject to revision at any time on demand of either party. The commitments made at Ottawa require the British Government to bring all its outstanding trade agreements into harmony with the new policy of protection and imperial preference. Russia is assured that negotiations for the new commercial treaty will be begun without delay and that there will be no attempt to discriminate unfairly against her products. These assurances, however, have not as yet quieted the distrust of the Kremlin or removed its bitterness. The abruptness of the British action, the fact that it has been accepted with applause in Canada and with condemnation by Liberals and Laborites in Great Britain as the initial manoeuvre in an anti-Soviet campaign have made the Soviet Government suspicious of it.

The immediate effects of the event in terms of Anglo-Russian trade are of no great importance one way or the other. What does matter is the probable effect upon the temper of future relationships between these two countries in the general sphere of world politics where many vexed problems in Europe and in the Far East will draw Great Britain and Russia into contact with each other. In this regard the conciliatory attitude of the present British Government is reassuring. Equally so is the character and personality of M. Maisky, the new Soviet Ambassador to London, upon whom will fall the task of carrying through the negotiations for a resumption of trade relations. M. Maisky has shown in his former posts at Tokyo and Helsingfors considerable diplomatic talent and a faculty for winning the confidence and trust of foreign officials.

Another development of some significance in world politics is the growing cordiality of Soviet-Japanese relations. Japan has shown herself anxious to win Russia's support for her policy with respect to Manchukuo, and Russia for her part has shown at least a willingnes to take a tolerant attitude unmoved by the Lytton Report. During October secret negotiations were under way in Tokyo between Soviet and Japanese officials looking toward Russian recognition

of the independence of Manchukuo. Involved in these negotiations as an offset to Soviet support of Japan's Manchurian policy is the completion of a formal trade agreement between the two countries and Japan's consent to the non-aggression pact, which has been hanging fire. General Sadao Araki, the Japanese War Minister, is opposed to a non-aggressive pact because it might tie Japan's hands in case of disorders along the border of Manchuria and Siberia. It also has been suggested that if such a pact were signed it would rob the Japanese military party of one of its arguments for increased appropriations for defense in Manchuria. Although no conclusions have been announced at the time of writing, the progress of the Soviet-Japanese negotiations is indicated by Japan's instruction to her envoy to the League Council to go first to Moscow to discuss the Lytton Report with the Soviet Government before defending the Japanese policy at Geneva. Moreover, the Soviet Government, in response to a Japanese appeal, ordered its Consul at Manchuli to obtain from the Chinese permission to evacuate some Japanese prisoners to Russian territory "in the interest of humanity."

There is evidence, too, that the temper of Soviet relations with the neighboring States of Eastern Europe is improving. Heretofore, Rumania has proved the stumbling block to the stabilization of relations in this region, since the withholding by that country of its consent to the system of non-aggression pacts which the Soviet Union is attempting to conclude with her European neighbors has delayed the progress of negotiations all along the line. The Vaida-Voivode Government of Rumania fell from power recently on the charge that its attitude toward the Soviet Union was too conciliatory, and it seemed for a time that a peaceful settlement between the two countries had been indefinitely postponed. A new Rumanian Cabinet, however, adopted on Oct. 29 a resolution calling for a resumption of negotiations and pledging the Rumanian Government to carry them through to a successful conclusion. It is interesting to note that this resolution follows the report of Nicolas Titulescu, the new Foreign Minister, who under the previous Ministry resigned his post as Ambassador to London in protest against the very policy of reconciliation with Russia which he now recommends.

# Turco-Syrian Frontier Dispute

*By* ALBERT HOWE LYBYER
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A NUMBER of thorny questions affecting the Turkish-Syrian frontier are being negotiated by the Turkish and French Governments. Among these are the demarcation of the common frontier, the purchase by Turkey of the railway from Adana to Nisibin and the exchange of properties owned by Turkish citizens in Syria and by Syrian citizens in Turkey.

It is not to be expected that Syrian citizens of Turkish nationality who reside in the Alexandretta region will ever be completely reconciled, because the frontier effectively separates them from a large part of their former market areas. On the other hand, certain refugees from Turkey, including members of the former imperial family, have been plotting behind this same frontier against the Turkish Government. At the beginning of Oc-

tober a band of brigands from Syria was routed by Turkish police near Urfa. Not long ago raids proceeded in the opposite direction.

The greater part of the former Baghdad Railway from Adana to Nisibin lies within Turkish territory, but a French company has been operating the entire line. By the Sykes-Picot treaty in 1916, France and Great Britain agreed that the Baghdad Railway beyond Nisibin should not be completed before the building of a railway across the Syrian desert from Haifa to Baghdad. The existing situation is very difficult. No commercial frontier should exist in this area, and no hindrance should stand in the way of completing a railway along one of the great trade routes of the Old World.

A Turkish linguistic congress, to which the ancient Turkish-Mongol term Kuriltai was applied, was opened on Sept. 26. About 2,000 persons attended, including delegates, diplomats, reporters and spectators. President Mustapha Kemal was an active and influential delegate.

Turkish official figures indicate a total foreign trade in 1931 of $125,000,000, a decline of about $25,000,000. Italy's proportion was 19 per cent, Germany's 16 per cent and Great Britain's 10 per cent. The capital of the ten principal Turkish national banks rose 30 per cent during the four years ended in 1931, and now amounts to about $33,000,000. During the same period deposits increased from $44,000,000 to $67,000,000.

### *SIDKY'S POSITION IN EGYPT*

During the recent visit of Premier Sidky Pasha to Europe he met Sir John Simon in Geneva. Although their conversations were held privately, it appears that Sidky broached the question of resuming the negotiation of a treaty between the two countries. The answer seems to have been that, since the British Government was seriously occupied with a variety of other important questions, the time was not opportune for discussions with Egypt.

Upon Sidky's return to Egypt his opponents circulated the rumor that the British Government declined to negotiate with him because he did not properly represent Egypt and could not obtain the adhesion of his country to a treaty which might be negotiated. It was further rumored that King Fuad would dismiss the Cabinet.

The King on Oct. 10 took advantage of congratulatory visits on the fifteenth anniversary of his accession to the throne to state that Sidky's government enjoyed his complete confidence; that it was strong and stable, and that he could not imagine how any one should doubt its durability. A few days later Mohammed Pasha Mahmud, Sidky's predecessor, was summoned to appear before the Assize Court in Cairo on Dec. 26 to defend himself against a libel suit brought by Sidky.

The fact remains that, while Egypt has been quiet under Sidky's administration for more than two years, he nevertheless represents a minority. With the help of King Fuad he first violated the Egyptian Constitution and then revised it in an unconstitutional manner. The Parliament elected under the new instrument and now acting under it is considered by many not to rest upon an open and fair election. Hence there is reason to believe that the British Government could not count upon the stability of a treaty which might be negotiated with the present Egyptian Cabinet and ratified by the present Parliament.

### *PROSPERITY IN PALESTINE*

The government of Palestine announced on Oct. 16 that 4,500 Jews would be admitted under the labor quota during the next six months. This easing of the immigration restrictions was made possible by the favorable economic condition of the country. Palestine, it is claimed, has suffered less from the depression than any other country. There were no bank

failures during the past year, and the export trade, particularly in the justly famous Jaffa oranges, is flourishing.

The Hebrew University enjoyed a successful year during 1931-32. The Institute of Jewish Studies continued its research and archaeological activities. The departments of mathematics, chemistry and natural history made contributions to general and local knowledge. The board of governors has sanctioned three new developments—a School of Agriculture, a university hospital and a Chair of Art and Archaeology of the Near East.

An Arab company has been formed to buy land in Palestine for Arab settlers, thus following the policy which the Jewish National Fund has been carrying out on behalf of Jewish immigrants for a number of years.

### *AN ABYSSINIAN UNIVERSITY*

An Ethiopian university is soon to be established at Addis Ababa under the direction of Professor F. E. Work, educational adviser to the Abyssinian Government. Emperor Haili Sellassie has promised $200,000 to carry out the project, and further funds are being sought in the United States.

During the past three months the Emperor has put down two revolts which threatened his throne. One was led by the former Emperor, Lej Yasu, who had escaped from prison. The other was led by the son of Ras Hailu, a former Provincial Governor who had been stripped of his property and feudal rights by the Emperor.

### *THE KINGDOM OF SAUDI*

King Ibn Saud has changed the title of his dominions from "The Kingdom of the Hejaz and Nejd and Its Dependencies" to the briefer and more euphonious "Kingdom of Saudi Arabia." But only time can show whether an organic unity can be achieved between the Arabs of the western coast and those of the interior. For hundreds and even thousands of years they have been accustomed to separate and loose political organizations.

As a consequence of the revolt of Ibn Rifadah last Summer, which might have been nipped in the bud by greater precaution, the British Government has strengthened its forces in Akaba. This region was regularly associated with the Hejaz until 1925, when the British prevented its conquest by Ibn Saud and added it to Transjordania. Because of its importance to the defense of the Suez Canal it was expected that a strong British military position would be developed there.

King Ibn Saud is not reconciled to the possession of Akaba by either the British or Transjordania. Rumors have been current in the Arab world that the British encouraged the revolt of Ibn Rifadah with the object of weakening King Ibn Saud. The Government of Transjordania has denied, however, that the British expect to remain at Akaba in force.

### *COMMUNICATIONS IN PERSIA*

Persia now possesses 4,000 miles of first-class roads and more than 6,000 miles of second-class roads. The new road from Teheran through the Elburz Mountains to Talus, on the Caspian Sea, is nearly finished. Important streets in Teheran are being widened and surfaced, and an agreement has been concluded for the building of electric street car lines in the city.

A regular motor car service has been established between Teheran and Khanikin on a bi-weekly schedule from March to June and from September to November. Tickets may now be purchased from London or Paris to Teheran, using the Simplon-Orient and Taurus express trains and the new motor service. The journey can be made in about eight days.

Negotiations between the British and Persian Governments in regard to the passage of planes of the Imperial Airways Company over Persian territory were unsuccessful. As a result the halts at Bushire and Jask have been abandoned, and planes travel from Basrah to India by way of Bahrein, Sharja and Gwadar.

# China's Breakdown Baffles Powers

By TYLER DENNETT
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THE new fabric which the Lytton Commission hopes to have woven in the Far East cannot be stronger than the Government of China, which must be the warp. This the commission recognized by including in its recommendation "international cooperation in Chinese reconstruction." It is therefore of primary importance to know as much as possible about the strength of this government upon which so much must depend.

Whatever the nature of the cooperation to be proposed for the reconstruction of China—and upon this the commission is discreetly silent—it is obvious that its effects will not be apparent for a long time. But meanwhile, what is to be expected in the immediate future? Is the present opposition of China to Japan likely to be sustained until there is some relief from an international source, or may the opposition at any time collapse? In the latter event the Lytton recommendation would be greatly weakened, and the Stimson doctrine of non-recognition would become, in fact, a doctrine recognizing chaos.

Every party directly concerned in the Far Eastern embroglio is weak—the League of Nations, for obvious reasons; Japan, because of the distress of her domestic economy; Great Britain, because of the suspension of the system of responsible government; France, by reason of the grave uncertainties of the European situation; and the American Government by reason of the doubt as to whether the present policy will be sustained by the next administration. But China is weakest of all. Threatened from without, China is even more distraught with her internal problems.

Notwithstanding the exertions of the Anti-Civil War Conference, which met at Shanghai on Aug. 27 and 28, the civil war continues, and on so many fronts that no one knows where the centre of the disturbance is located. There are, in fact, so many foci of conflict, and so many issues to be fought over, that the Chinese Republic resembles a pear, which, left too long on the fruit-stand, is so full of spots that it almost falls to pieces in the hand. On Oct. 22, just as Wang Ching-wei, the former Left Wing chairman of the Executive Yuan, sailed in the direction of Europe—or of Singapore—a peace parley was held in Shanghai. It was attended by nineteen Ministers and Vice Ministers, and every important official was present or represented, although Chiang Kai-shek was absent. It was reported that private rivalries and ambitions were submerged in a unanimous decision to continue the present anti-Japanese policy.

On the same day that this agreement was reached it was reported that Governor Han Fu-chu of Shantung had telegraphed his resignation to Nanking. He had been fighting Lui Chen-nien, chieftain of Chefoo, for access to the sea. Civil war was likewise reported to be spreading in Szechwan, where 103 army commanders had turned against the Nanking chairman of the provincial government. The Red armies north and south of the Yangtse are constantly moving, like the volunteers in Manchuria, so that General Chiang Kai-shek never has an opportunity to fight a decisive battle with a united foe. At Canton,

where a semi-independent régime is in full control of the government, the independents, employing air forces for defense, have adopted a program to build up a fleet of 400 airplanes. The Cantonese forces have served notice that they will withdraw from the anti-Red campaign in Southern Kiangsi until Nanking has advanced more money to finance the fighting. We find the Governments of Kwangtung and Szechwan out of the picture, while Hankow is constantly threatened by the Red armies, and Nanking itself is hardly more secure.

In Shantung and North China there is danger of a separatist movement, perhaps under the notorious Tuan Chi-jui, who was Chinese Premier fifteen years ago when the infamous Nishihara loans were made. Such a movement might be successful if Marshal Chang Hsueh-liang were to join it. General Wu Pei-fu is suspected of sympathy with the alleged plot. The new Japanese Minister in Peiping, Mr. Ariyoshi, is apparently cultivating friendly relations with Marshal Chang. The proposed separatist government would probably be friendly to Japan, or at least more conciliatory than that now in power at Nanking. As this is being written Nanking has made concessions to Governor Han of Shantung, and he is remaining loyal, for a time at least, to the national government.

Thus threatened internally at more than half a dozen points, the Chinese Republic is also once more in danger on its frontier. No one seems to know which way Jehol will eventually turn. It is perhaps significant that Japan has not yet launched its threatened drive through that province. Furthermore, for months there has been fighting on the Tibetan border of Yunnan and Szechwan, where there is a movement, encouraged by the British, if Tokyo reports may be credited, to establish a Greater Tibet.

Tibetan troops last March invaded the Kokonor plain—a region almost as large as Manchuria. For two months they besieged the walled city of Batang with a single three-inch gun, which fired one shell every half hour. The Chinese forces appear to have lacked even one gun with which to reply, for the only munitions available were being used to fight the civil war. Even reports of the war in Western Szechwan did not reach Nanking until September. Although 100,000 rounds of rifle ammunition were dispatched by Nanking, they would not arrive before December. The Kokonor provincial government has seven motor trucks, but gasoline delivered there costs about $15, gold, a gallon. Set it down that there is an extensive foreign as well as domestic war in Western Szechwan.

Barga, the western portion of Heilungkiang, may not be held tightly to Manchukuo, but its relations with Nanking, never very close, are being steadily weakened. The Mongol Princes, who were never very fond of Chinese suzerainty, are being cultivated by the Japanese.

All in all, China is a very diaphanous "entity" to become the warp, or woof, of a new international fabric in the Far East. Only one eventuality is certain. If the powers were to extend their international cooperation in China to a point where it could be effective in restoring responsible government, the Chinese would stop long enough in their quarrels with one another to oppose the powers, even as now they fight their guerrilla campaign against Japan.

### *JAPAN IN MANCHURIA*

The Japanese position in Manchuria remains insecure. Barga, lying west of the Khingan Mountains, seceded from Manchukuo early in October, and while the Japanese continue to control the greater part of the Sungari River, they have been unable to advance much north of Tsitsihar, so that Northeastern Heilungkiang Province is still Chinese. Indeed, before the middle of October it could be asserted that Chinese rebels were

actually in control of most of the vast area called Manchuria. The Japanese started a drive on Oct. 10 to extend their control. Beginning on the Yalu —the Korean border—they proposed to advance westward. At that time there were estimated to be 300,000 volunteer Chinese troops in Manchuria, and they appeared to have little or no support from south of the Great Wall. On Oct. 13 the Japanese announced the opening of a drive against the rebels at Manchuli, but a week later the proposed military operations had apparently given place to negotiations. On Oct. 22 it was reported from Shanghai that the foreign military experts attached to the legations in Peiping expected Japan to abandon its efforts west of the Kinghan Mountains and to accept the status quo. The threatened advance into Jehol likewise seems improbable at present.

By Oct. 25 the insurgents in Manchuria had become bold enough to renew their efforts to recapture Tsitsihar. In short, Japan, as this is being written, is so fully occupied in the areas south of Harbin and east of the South Manchuria Railway that it may have to be content with the richer and more populous area of the East and South, leaving perhaps two-thirds of Manchuria in Chinese hands. If we think of Manchuria as an area about equal to the American States of Ohio, Michigan, Kentucky, Indiana, Illinois, Wisconsin, Missouri, Iowa and Minnesota, we may think of Japan as effectively holding only Missouri, Southern Illinois, parts of Kentucky, Indiana and Ohio. Elsewhere the control is tenuous, except along the railways, and it is not very sure even there.

Meanwhile the Chinese have set about discrediting the Japanese régime by assaulting and kidnapping foreigners. The chief episode has been the kidnapping of Mrs. K. F. B. Pawley and C. H. Corkran from Newchwang on Sept. 7. Another British subject also was captured, but escaped. The British Government looke to the Japanese to effect the releas of the captives, but did not desir military measures which might lea the bandits to kill them. After forty four days of terrifying, cruel and disgusting captivity, the victims wer returned to Newchwang under an escort of Manchukuo and Japanese soldiers. The price of the release wa reported to be 130,000 yen, 250 pound of opium and a supply of Winte clothing, all furnished, not by th British but by a Japanese patrioti association. It is a strange world i which a government has to negotiat and transmit ransoms to bandits t secure the release of people for whos safety it must assume responsibility

Mrs. C. T. Woodruff, an English woman, was killed in the street i Harbin on Oct. 14 while resisting th effort of bandits to kidnap her thre children. Life is no more safe i Manchuria than in China.

### *REACTIONS TO THE LYTTON REPORT.*

Japan's policy in regard to th Lytton Report is to play for time which, uncertain though it be, is th best of her allies. Yosuke Matsuoka who will represent Japan at Genev when the report is considered, stoppe at Moscow on his way to Switzerland Probably it is hoped that the relation with the Soviet Union can be definitely settled before the debate begin at Geneva. The Japanese policy a the Assembly presumably will be t delay decisions. Mr. Matsuoka, i an interview in Tokyo before hi departure, declared that "if we wer indifferent to the peace machiner it would be unnecessary to sen me to Geneva." He laid some stres on the tenth of the general principles in the Lytton Report—"international cooperation in the internal reconstruction of China." I will be difficult, indeed, to solve th Manchurian problem except by thi approach, and yet this proposed co operation will prove the most diffi

cult to accomplish and is least promising. Clearly, it will require time, much time; meanwhile Japan is in possession of the strategic points in the Three Provinces.

Japan will not resign from the League unless her position at Geneva becomes intolerable, and she does not expect the League members to use force to drive her out of Manchuria, although the possibility of invoking sanctions of an economic nature has caused some anxiety. It was reported, on Oct. 7, that in preparing the estimates for the next budget the army and navy would ask for an increase of about one-third in appropriations. What Japan would prefer most of all at Geneva is a wait-and-see policy.

The Chinese professed some disappointment that the Lytton Report failed to recommend a prompt return to the status quo ante, but Dr. Wellington Koo announced at Geneva on Oct. 9 that China would accept the Lytton Report as a basis for action, but with two reservations: (1) China will not give up the boycott, which has been renewed with devastating effect upon Japanese trade, and (2) she will not give up the so-called parallel railway lines in Manchuria.

On the Lytton Report the American Government has maintained discreet silence, but it is significant that with great speed the Department of State had the report reprinted, without the maps or the annexes, for circulation at fifty cents a copy. The implication in the Lytton Report that the United States was largely responsible for the Allied intervention in Siberia in 1918 forced Under-Secretary of State Castle to call attention to contrary evidence in *Foreign Relations,* 1918, *Russia,* Volume II, in which are printed many documents indicating that the American Government at first opposed the project. Secretary Stimson's reference to the non-recognition policy in his Pittsburgh speech on Oct. 26 was featured in Japan under such headlines "Stimson Stubbornly Reiterates His Opinions."

Karl Radek, in *Izvestia,* finds mischievous satisfaction in pointing out that the Manchurian affair has now become a diplomatic conflict and test of strength between the United States and Japan—"the pressure of American imperialism upon other imperialistic powers to swing them against Japan." Russia has many reasons to stay out of the affair at present, not the least of them being the opportunity of testing its theory that capitalistic States are by their essential nature foredoomed to fight each other. By capitalistic war the Bolsheviki came into power; by similar wars they may sustain their power. They have nothing to lose by waiting.

A few personal items relating to the Far East may not be without interest. Dr. S. Alfred Sze Koo will return to Washington as Acting Chinese Minister while Dr. W. W. Yen is at Geneva during the consideration of the Lytton Report; Ambassador Debuchi, contrary to many rumors, will return to Washington; George Bronson Rea, an American, who has appeared at Geneva as the representative of Manchukuo, has not been able to obtain official recognition other than a card to the press gallery.

# TO AND FROM OUR READERS

## SIDNEY WEBB'S TITLE

SIDNEY WEBB, whose second article on Soviet Russia is printed in this issue of CURRENT HISTORY, was raised to the peerage in order that the British Labor party might transfer his services to the House of Lords. Under the title of Lord Passfield, a name which Mrs. Webb called "fantastic," Mr. Webb sat in the House of Lords. The title, never pleasing to him, has apparently been dropped. According to a dispatch from London on Oct. 15, he said to a reporter: "I have never altered my name. I am Sidney Webb to my publisher and my tailor, and when I lecture I am Sidney Webb."

* * *

## MONTAGU NORMAN SPEAKS

The complete text of the widely quoted remarks of Montagu Norman, governor of the Bank of England, made on Oct. 20 at the annual bankers' dinner given by the Lord Mayor of London, is printed here because, as originally cabled, it gave an impression which apparently was not intended:

"I wish to put before you one or two thoughts to which I feel the mind of those who live and move about this narrow city may direct themselves. They are not questions for today or tomorrow or next week. They are ultimate questions which eventually will need consideration and action. There are many questions which may arise in the future and which had better be decided by common consent among us.

"Obviously, one of the great things of which we, speaking technically, wish to dispose of are the frozen credits throughout Europe. I think there is nothing which impedes the business and prospects of bankers to the same extent as those. How it is to be achieved I do not know; but I do believe what I have been told, that trade will find its way in almost any direction over or round almost any tariff if it be financed. But if the bankers' credit in many countries is frozen up and the exchange opportunities in those countries are not available, then trade with those countries, as I have seen, is extremely difficult.

"There is another point to which we ought to direct our attention. In the past by tradition, by reason of our means and ability, we were great lenders. Lending here was practically indiscriminate, it was merely competitive. Can that continue with the same freedom in the future? The time will come when great opportunities for investment, speculative business included, will be offered in several places, east and west of here. It has happened before. It will happen again. What we need, and shall need, when that time arrives is a robust and rationalized industry and commerce which here can offer the same attractions by way of investment as will assuredly be offered in those other countries. I look forward in the near future to a growth, development and improvement in the industry of this country upon which in large measure the business of bankers and merchants depends, and upon which we can rebuild the eminence which we enjoyed and received from our fathers.

"Another point I wish to mention. It is rather technical, but it refers to a class of bankers, many of whom I see around me, whose business lies largely oversea. They have to my knowledge been generous lenders on short credit oversea. They have done this each for himself and without any cooperation or any knowledge by one of what the others are doing. The result has been that in many instances, some of which have come before me, concerns have been able to borrow on short credit sums which, had the various lenders been aware of it, would have been quite out of the question, and which has come as a surprise to all of us in this country and abroad. Now, I wonder whether that cannot be done in future upon some basis of general cooperation to the interests of all. There are committees of various kinds, one of which in particular comprises the bankers to whom I allude, and I believe that the interests of all would be served if this method of cooperation could be considered in some way among them in regard to their future business.

"For most of us, 'One step enough for me.' That is as far as, on the whole, I can see. The difficulties are so vast,

the forces so unlimited, so novel, and precedents are so lacking, that I approach this whole subject not only in ignorance but in humility. It is too great for me. I am willing to do my best.

"And when it comes to the future I hope that we may all see and approach the light at the end of the tunnel which some are able already to point out to us. We have not yet emerged from the difficulties through which we have been passing. I like to believe that we shall meet here again next year, that this will continue to be an annual gathering, and that then, as I believe is more than likely, we shall see clearly where we are going and be sensible of the rapid pace toward that goal at which we are proceeding."

* * *

## CHINESE BUSINESS ETHICS.

*To the Editor of Current History:*

The article in your September issue by Mr. G. Warren Heath was interesting as reflecting the attitude of the foreign mercantile class in China whenever their opinion on Chinese affairs is expressed. There is a saying current in the East to the effect that Chinese affairs interest no business man except when the volunteers are called out.

In the first place, as a military man I may safely say that the Chinese did win the action at Shanghai despite lack of support and ammunition. It is no small thing to overwhelm the highly touted forces of Japanese imperialism in quarters where you are at a disadvantage. The troops of the Western nations will not be flattered by Mr. Heath's failure to see them. The fact that the International Settlement was closely barricaded by the American, British, Italian, French, Spanish and other troops is, of course, irrelevant to the main issue, which seems to be the blackening of China's moral character.

Regarding the misuse of the word "bandit," let me point out to Mr. Heath that there is no sense in calling attention to banditry in China before we suppress banditry in the United States. I feel safer in China than I do in Chicago. At least in China the bandits are after a fairly definite thing—my purse. They are not narcotized to such a degree that they are insensible of the value of human life.

It might be well for Mr. Heath to remember that, in the matter of trademarks and copyrights, the Chinese are our faithful imitators. They are merely copying the present United States law under which the original owners of the Bosch patents and copyrights are not permitted the use of their original trademarks nor their patent protection. The Alien Property Custodian sold these to an American concern, though a close study of the laws of war and the theories of international law fail to reveal his right to do so.

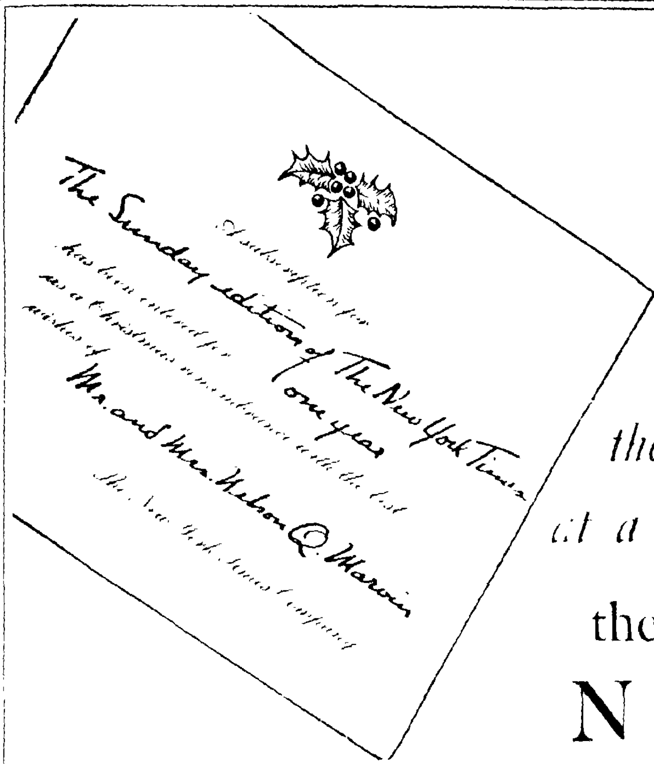
Mr. Heath should also be reminded of the fact that what is known to military intelligence officers is not always the basis of governmental action. There is an old and honored legal maxim to the effect that there can be no injunction launched against a fact in the process of thought. In other words, the governments of both the United States and Great Britain would have sorely betrayed their intelligence officers by a premature revelation of the information they had gathered. As to the creation of a buffer State, Mr. Heath has been led astray. A buffer State—not sadly torn, but more or less whole—was already in existence before the Japanese move. The Japanese cannot claim that they have protected the Western world. They have, in fact, sorely damaged the ancient prestige of the Occidental by allowing China to realize her strength.

The Japanese "open door" policy for foreign trade is well known. It is a one-way door—all coming in and none going out.

Let Mr. Heath ponder the fact that while old China may have needed a lesson, it was neither Japan's place nor her duty to attempt to teach China that lesson. The daughter should not attempt to admonish the mother. In fact, the very Shanghai and Manchurian incidents Mr. Heath praises so highly are due to strike at the roots of the Occidental power in the Orient.

D. L. ANDERSON.

Vashon, Wash.




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